Rovsing

ANNUAL REPORT 2017 / 18

PROFILE

Rovsing A/S (Rovsing) develops, manufactures and delivers systems for functional and electrical testing of spacecrafts (primarily satellites) and their payloads.

The products and systems are used for testing of spacecraft sub-systems, including external communication connections and instruments.

The Company's products are modular and are sold either on a stand-alone basis or used as modules in system solutions, customized for the specific spacecraft application. In connection with the configuration of system solutions, third parties' products are also used, and software is configured for the individual spacecraft needs.

The products, inclusive software packages, are flexible and configurable, facilitating tailor-made customer solutions.

More specifically, Rovsing offers, the following equipmentsolutions:

- Payload EGSE (Electrical Ground Support Equipment)
- Power & Launch EGSE
- Platform EGSE
- Instrument EGSE
- Avionics Test Beds
- Central Check-out Equipment
- Thermal EGSE
- Real-time Simulators

In addition, Rovsing develops software solutions, including solutions based on specific customer specifications, and performs independent software verification/validation (ISVV) for critical space-related software developed by third parties.

Rovsing also provides engineering support for large corporations in the space industry at various locations in Europe and in South America. For more than 15 years, Rovsing has been responsible for configuration control of ground installations at the European space base CSG in Kourou in French Guiana.

The main customers of Rovsing are European and US-based space groups such as Airbus DS, Thales Alenia Space, Boeing, Lockheed Martin and their key sub-suppliers. The European Space Agency (ESA), NASA and various national space agencies in Europe are also among Rovsing's customers.

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HIGHLIGHTS OF THE YEAR

- Revenue of DKK 25.1 million (2016/17: DKK 38.9 million)
- EBITDA of DKK -4.5 million (2016/17: DKK 1.3 million)
- Cash flow from operating activities of DKK -11.0 million (2016/17: DKK -5.0 million)
- Rovsing has during 2017/18 carried out two directed share issues amounting to DKK DKK 9.8 million strengthening the capital structure and improving the liquidity situation and the Company's operational maneuverability
- Further, Rovsing entered two new bond loans and a convertible bond facility, of DKK 6.5 million in total, which has further strengthened the Company's' cash situation. Rovsing has during 2017/18 in full repaid short-term loans with high interest to related parties and a funding facility guaranteed by EKF of DKK 4.6 million
- In 2017/18, Rovsing delivered a broad array of test- and simulation systems to support ESA missions as well as product deliveries in both the EU and the USA. The year was characterized by many deliveries within already existing orders coupled with customers returning to order more material or services together with refurbishment of older systems
- Despite the positive success with multiple deliveries and returning customers, 2017/18 was disappointing in terms of new order intake from both ESA and national missions, with Rovsing coming in second in too many tenders. This coupled with delays in a number of large-scale projects led to a decrease in revenue compared to the initial expectations to the financial year, which again is the main reason behind the disappointing development in EBITDA
- Stabilization was reached in the engineering services business, by securing 5 more years for the CSG activities in Kourou, prolongation of the onsite support for Airbus DS in Bremen and a new service contract as part of the SETTERS project consortium with Telespazio France for CNES
- In the second half of 2017/18, the Management with support from the Board of Directors has re-evaluated the Company's fixed costs and organization in order to adapt to the activity level given by the lower order intake and for improving the Company's competitiveness and ability to scale moving forward
- In many ways 2017/18 has been a transition and clean up year, where changes and improvements have been implemented across the line from ownership, to Board of Directors, Management, organization, processes, cost base and culture. All with the aim of strengthening and preparing Rovsing for a new beginning.

FINANCIAL HIGHLIGHTS AND RATIOS

INCOME STATEMENT	2013/14	2014/15	2015/16	2016/17	2017/18
DKK'000					
Revenue	15,567	19,636	26,632	38,968	25.127
Earnings before interest, taxes, depreciation and amortisation, EBITDA	-3,389	-3,340	-2,120	1,260	-4,513
Operating profit (EBIT)	-6,810	-11,584	-13,772	-1,921	-7,722
Financial income and expenses, net	-324	-668	-347	-1,344	-1,553
Profit/loss for the year	-8,993	-10,940	-11,094	-2,675	-9,912
BALANCE SHEET					
Non-current assets	47,144	42,325	28,511	25,741	23,268
Current assets	12,379	14,197	12,984	15,718	12,634
Total assets	59,523	56,522	41,495	41,459	35,902
Equity	34,949	27,064	16,326	18,217	18,210
Non-current liabilities	8,868	9,592	0	0	0
Current liabilities	15,706	19,866	25,169	23,243	17,692
Total equity and liabilities	59,523	56,522	41,495	41,459	35,902
CASH FLOW STATEMENT					
Cash flow from operating activities	-3,644	959	5,116	-5,038	-11,032
Cash flow from investing activities	-6,065	-3,567	-5,780	-1,329	-1,578
Cash flow from financing activities	9,927	3,319	-282	7,552	11,561
Total cash flow	218	711	-946	1,185	-1,049
KEY FIGURES					
EBITDA margin, %	-21.8	-17.0	-8.0	3.2	-18.0
EBIT margin, %	-43.8	-59.0	-51.7	-4.9	-30.7
Return on equity, %	-24.4	-34.5	-47.5	-15.3	-39,1
Earnings per share (EPS)	-0.03	-0.04	-0.04	-0.01	-0.03
Cash flow per share (CFPS)	-0.04	-0.06	-0.06	-0.04	-0.04
Dividends per share of DKK 0.05	-	-	-	-	-
Pay-out ratio, %	-	-	-	-	-
Equity per share, DKK	0.12	0.09	0.05	0.05	0.04
Solvency, %	58.7	47.9	39.3	43.9	50,7
Average number of shares (1,000 shares)	265,921	285,851	300,344	316,778	380,140
Number of shares at year-end (1,000 shares)	283,119	299,511	302,011	333,212	404,854

The key figures are calculated in accordance with the recommendations issued by the Danish Society of Financial Analysts ("Finansforeningen") in 2015.

Rovsing's financial year is from 1 July to 30 June.

CORPORATE INFORMATION

The Company

Rovsing A/S
Dyregårdsvej 2
2740 Skovlunde, Denmark

Phone:	+45 44 200 800
Fax:	+45 44 200 801
Website:	www.rovsing.dk
E-mail:	info@rovsing.dk

Company reg. (CVR) no.:	16 13 90 84
Date of incorporation:	20 May 1992
Municipality of registered office:	Ballerup, Denmark

Board of Directors

Michael Hove (Chairman)
Jørgen Hauglund
Flemming Hynkemejer
Ulrich Beck

Executive Management

Hjalti Pall Thorvardarson, CEO
Sigurd Hundrup, CFO

Auditors

BDO Statsautoriseret revisionsaktieselskab
Birk Centerpark 30
7400 Herning, Denmark

Annual General Meeting

The annual general meeting will be held on 22 October 2018 at 14:00 at Dyregårdsvej 2, 2740 Skovlunde, Denmark.

MANAGEMENTS' REVIEW

OPERATIONAL REVIEW

At DKK 25.1 million, Rovsing's revenue decreased by DKK 13.8 million, compared to the previous financial year. The Company's earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to DKK -4.5 million, which was a decrease of DKK 5.8 million compared to the previous year.

Tax for the year was DKK -0.6 million compared to DKK 0.6 million previous year.

The profit/loss after tax decreased by DKK 7.2 million from a loss of DKK 2.7 million in 2016/17 to a loss of DKK 9.9 million in 2017/18. The negative development is the combined result of a lower level of activity in ESA-driven projects in 2017/18 and a lower order intake from other space projects outside the ESA organisation, leading to a drop in revenue compared to previous year.

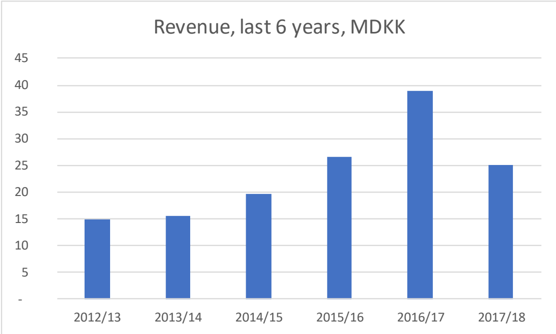
The realised revenue and EBITDA of DKK 25.1 million and DKK -4.5 million, respectively were below the expectations announced by the Company in the interim financial statement for the last quarter of the financial year 2017/18 and is primarily related to a delay in MetOp-SG Programme which impacts the ISVV project where the projected rate of completion could not be achieved as SW elements for Rovsing to validate were not ready.

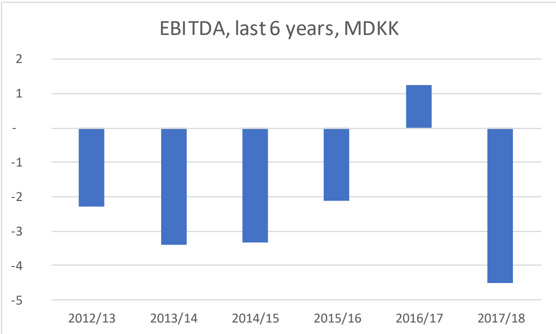
Management considers the development in revenue, EBITDA and profit and loss for the financial year highly unsatisfactory.

The European market

In the financial year 2017/18, Rovsing did not manage to realise the initially projected level of activity on the European market. This can partially be accounted to delays in pipeline activities related to larger ESA driven missions and lower order intake from non-ESA activities. The European institutional market remains the most important market to Rovsing, however the efforts and focus on diversifying the Company's market share will continue to mitigate the fluctuation in activity level.

Rovsing continued its support to the ExoMars 2020 mission in the financial year 2017/18 by delivering, in August 2017 and January 2018, two sets of Discrete and Power Front-end DSTE equipment to





Celestia-STS as a major part of the DCIS and DH SCOE systems for Thales Alenia Space Italy.

A second batch of 21 SAS Modules was delivered to Clemessy Switzerland in September 2017 for use on the MetOp-SG mission.

In October 2017, Rovsing delivered a third set of the SAW FEE to Airbus DS in Bremen, a test system simulating the solar array wings power and telemetry to the European service module (ESM) to the NASA-ESA vehicle Orion MPCV. This set will later be shipped to the USA to support further testing. The SAW FEE(s) are built with Rovsing's SAS, SLP and MASC products and SW suite. The Company continues to support the MPCV industrial team with engineering support and delivering requested changes.

The third set of the Jason-CS/S6 Altimeter EGSE was also delivered in October 2017 to Thales Alenia Space in Toulouse. The test system is based on the DSTE product range.

In December 2017, Rovsing received an order from Airbus DS in Toulouse for an additional Satellite Interface Simulator (SIS) for the JUICE mission. The DSTE based system was the 17th delivery for this mission and was completed in June 2018.

Refurbishment of previously delivered test systems such that they can support follow on satellites for the same mission was also an important element of the financial year. Rovsing made a complete bottom up refurbishment, SW upgrade and requalification of the Sentinel-1 Power SCOE for Thales Alenia Space Italy. The system was originally delivered in 2010 and used for the assembly, integration, testing and launch of the Sentinel-1 A and B satellites. Now the Power SCOE is ready to be used for satellites C and D following the delivery of the refurbished system in June 2018.

Thales Alenia Space France (TAS-F) contracted Rovsing in beginning of 2018 for refurbishment of a single set of the Sentinel-3 A/B Altimeter EGSE in support of the upcoming S3 C and D satellites. TAS-F also contracted Rovsing to build a new Altimeter EGSE, this DSTE based system was delivered in July 2018.

The ESA co-financed development project, aimed at ensuring that Rovsing's ESGE software package is compatible with ESA's future ground software "EGS-CC" standards, has not had the expected progress as delays in "EGS-CC" project have required Rovsing to wait until next release.

Rovsing continued in 2017/18 the ISVV work for the MetOp-SG platform and instruments. Some program delays have impacted the progress as Rovsing has not been able to get their data to continue according to schedule.

An industrial consortium led by Telespazio France won in early 2018 the SETTERS project for renewal of critical equipment for launch vehicle tracking stations around the world. Rovsing will provide project management and quality support as well as RAMS analysis.

In April 2018, Rovsing was awarded as part of a larger consortium the CSG service contracts for 2018 until 2022, where the Rovsing team will be responsible for providing quality assurance and configuration control for ground installations and systems at the European space base CSG in Kourou in French Guiana.

Rovsing continued work under a ATP with Airbus DS (Germany) for the technical support to the ISS COLUMBUS in Bremen, Germany.

A considerable part of Rovsing's activities on the European market is related to programmes which are managed and funded by the European Space Agency (ESA). As ESA's activities and the number of new projects vary over time it is seen by the Management to be of strategic importance to solidify the Company's position and increase order intake outside of ESA. Focusing on the USA, commercial space programs and emerging markets.

It is Rovsing's assessment that the level of the ESA activities will continue its long-term increasing trend, although the number of new projects will continue to be lower in first half of 2018/19 than what has been the case in recent years, and this will most likely impact Rovsing's order intake and revenue in the next few years.

The US market

Rovsing's activities on the US market take place in cooperation with the Company's US partner Kratos RT Logic in Colorado Springs.

In a partnership with RT Logic, Rovsing has been supporting Boeing Space Systems by designing the new Solar Array Simulator test system for their factory in Los Angeles. The project has progressed through its design gates in 2017/18 and Rovsing has delivered a couple hundred SAS and SLP modules to RT Logic in February and March of 2018 together with the systems SW suite. The first two systems are already integrated, and final testing and delivery is expected to take place autumn of 2018. The testing is supported by the Rovsing AutoTest instrument suite which was delivered to RT Logic in May 2018 and greatly reduces the time and manual labor required by means of intelligent automation.

Rovsing proceeded throughout the year to explore further opportunities with US customers, positioning the Company to be able to bid with RT Logic on upcoming missions and making Rovsing's products and solutions known in the US market. As could also be seen with the joint press release with Lockheed Martin in April 2018, the Company's position on the US market as been further established in line with the Management strategy.

The Chinese market

During 2017/18, Rovsing has continued to explore opportunities with a Chinese partner, raising awareness about the Rovsing's product offerings with potential customers.

Product development and production

In the financial year 2017/18, Rovsing continued to improve the product base and related logistics, production and testing environments. Management sees time and cost-effective production and testing as a vital part of the foundation for Rovsing's test systems and product offerings and to secure Rovsing's ability to deliver according to plan and within budgeted prices.

Capital increases in 2017/18

In October 2017, the share capital was increased by DKK 1.666.060 nominal value or 33.321.204 shares of DKK 0.153 each and the total amount raised was DKK 5.1 million.

In December 2017, the share capital was increased by DKK 1.666.060 nominal value or 33.321.204 shares of DKK 0.141. Of the total capital increase of nominal DKK 1.666.060, nominal DKK 669.557 has been subscribed for by way of cash payment of the subscription price, while nominal DKK 996.504 has been subscribed for by way of conversion of debt. The total amount raised was DKK 4.7 million.

In January 2018 the share capital was increased by DKK 250.000 nominal value or 5.000.000 shares of DKK 0.05 each in connection with the exercise of warrants.

Organisation and management

By the end of the financial year 2017/18, Rovsing employed a total of 28 employees, counted on a full-time-equivalent basis. Most employees were employed at the Company's head office in Skovlunde, Denmark, but the Company also has employees at several local destinations where they provide support services and consultancy services.

At the Company's annual general meeting in October 2017 Jørgen Hauglund and Søren Anker Rasmussen were reelected to the Board of Directors, while Michael Hove, Flemming Hynkemejer and Ulrich Beck were elected as new members.

In December 2017, Søren Anker Rasmussen resigned from the Board of Directors.

In January 2018, Michael Hove took over as chairman of Rovsing's Board of Directors while Jørgen Hauglund continued as ordinary member of the Board. Jørgen Hauglund has since informed the Company that he will not seek reelection at the Company's general meeting in October 2018.

In January 2018, the Company's former CEO Cristian Bank resigned from his position with Rovsing. As new CEO, the Company appointed Hjalti Pall Thorvardarson. Hjalti Pall Thorvardarson knows the ins and outs of Rovsing's products, capabilities and customer base having been with the Company for 8 years in leadership roles prior to taking over as CEO.

In March 2018, Management adjusted the organization by terminating 7 FTEs as a consequence to a lower order intake than projected.

Incentive schemes

Rovsing has, to a certain degree, used share-based incentive schemes as part of compensation packages for members of the management team.

In the financial year 2017/18, a total of 55.000.000 new warrants were granted to members of the Board of Directors, Management team and employees while a total of 5.000.000 warrants were exercised and 2.000.000 warrants were lapsed to the effect that the current net number of warrants outstanding increased by 47.500.000 warrants from 8.300.000 at the end of the financial year 2016/17 to 55.800.000 warrants at the end of 2017/18. For additional information about the Company's share-based incentive schemes, please see note 6 to the financial statements on page 41.

The Board of Directors consider share-based incentive schemes as relevant and effective incentives that allow the Company to reward good performance, retain key persons and at the same time secure alignment of interests between managers and shareholders. Therefore, it is expected that share-based incentives, such as warrants, will be used more in the future as part of the compensation packages for members of the management group and members of the Board of Directors.

ROVSING'S STRATEGY

ROVSING

1. Rovsing Mission

- To support customers in the aerospace industry to operate flawless systems by supplying systems and products for ground simulation & testing.

2. Vision – Rovsing 2021 Strategic Program

- Rovsing will develop into a strong high-tech SME, recognized as a key player in aerospace with key expertise in the Aeronautics, Space & Defense Industry.

3. Management & Leadership

- CEO with prime space industry expertise, sharp CFO & lean management team;
- Board of Directors with financial and industrial expertise, and competences in strategy, turnaround, and profitable growth;
- New shareholders with strong support to Rovsing's strategic development.

4. Rovsing's core skills

Rovsing's critical skills and competences:

- Analog & Digital electronics;
- Embedded & system software;
- Project management – LEAN & Agile;
- Process competence – ISO 9001 & CNQ;
- Product quality and reliability;
- Responsiveness to Product Life Cycle, i.e. digitalization challenges in Aeronautics, Space & Defense.

5. Product Range / Portfolio

Current product range (2017/18):

- Test systems & Products (65%)
- Software Verification (ISVV) (15%)
- On-site engineering Services (20%) In recent years, Rovsing has finalized significant investments in both product and business development. The acquisition and integration of the DSTE business from SSBV Space & Ground in the Netherlands and the successful development of the SAS and SLP products are examples of such investments.

GROW TOP LINE

6. Market expansion focus

- Make products & expertise known worldwide;
- In the established institutional segment:
    - Strengthen preferred supplier status with ESA & EU national agencies;
    - Pursue opportunities with NASA and other major non-EU space agencies;
    - Refurbishment and repurposing of proven assets
- In the competitive private commercial segment:
    - Focus on Communication, Weather, and Earth Observation satellites;
    - Support professional small satellite programmes & constellations;
- In the growing Military/Security segment
    - Leverage DK/Nordic environment;
    - Leverage competences and product portfolio with various European defense research project budgets.

7. Product development focus

- Focus R&D on standard products, reduce complexity;
- Focus on profitable implementation and configurable S/W for customized systems

8. Geographical sales focus

- Focus on Europe through direct sales and leverage existing customer relationships;
- Expand in the US through local partners;
- Establish foothold in emerging markets;

9. Market sizes

Global market of Electrical Ground Support Equipment:	USD 100m p.a.
ESA ESGE market:	EUR 20m p.a.

IMPROVE MARGINS

10. Cost efficient production/sourcing

- Comprehensive cost savings program completed;
- Make-or-buy decisions;
- Focus on improved profitability in product manufacturing;
- Full supplier review/renegotiation programme completed in H1 2018.

11. Organisation & Employees

- Increase use of salary models with performance-based incentives;
- Implement Value based team KPIs to ensure focus on profitability, roll out LEAN & 6Σ tools to minimize waste;
- Improve accountability and focus on financial performance in project planning and resource allocation throughout the organisation;
- Strengthening of reporting and management systems.

FOCUS ON VALUE CREATION

12. Capital structure - key to drive turnaround

- The capital structure has been strengthened;
- Strong short-term focus on liquidity/improved cash management;
- Review contractual terms;
- Continued use of EKF project funding;
- Capture relevant grant programs from EU et al. to facilitate development of segments.

13. Value based incentives - investors with long-term perspective

- All Board members and CEO/CFO are shareholders;
- 3-year warrant programme in place for Board, management & employees.

14. Reporting and Investor Relations - investor story for success from Denmark

- Upgraded IR activities;
- Modernized corporate web-site;
- Improved on-time, on quality reporting;

15. Financials

Actual performance 2017/2018:

- Revenue: DKK 25 million
- EBITDA: DKK -4 million

Financial guidance 2018/2019:

- Revenue: DKK 28-32 million
- EBITDA: DKK -1 to 1 million

FINANCIAL REVIEW

INCOME STATEMENT

Revenue amounted to DKK 25.1 million in 2017/18, a decrease of DKK 13.8 million, on 2016/17 revenue. Part of the decrease in revenue compared to the previous financial year was expected and due to a lower level in ESA activities. The lower revenue can also be attributable to a lower order intake from the general pipeline than anticipated during the start of the financial year.

The lower revenue resulted in a decrease in production costs of DKK 4.0 million to DKK 6.4 million.

As a result, gross profit decreased from DKK 28.6 million in 2016/17 to DKK 18.7 million in 2017/18 or a DKK 9.8 million difference.

Staff costs declined by DKK 3.9 million to DKK 18.8 The reduced staff costs reflects the decline in revenue where Management in the latter part of the financial year has implemented a comprehensive reduction in staff to adapt the organisation to the lower activity level.

In addition, the Company's lease and purchase agreements have been analysed and renegotiated in the second half of the year with estimated future savings of DKK 0.75 million per annum.

The above development in revenue and costs led to earnings before interest, tax, depreciation and amortisation (EBITDA) of DKK -4.5 million, from DKK 1.3 million in 2016/17.

Depreciation, amortisation and impairment amounted to DKK 3.2 million in 2017/18, against DKK 3.2 million in 2016/17.

Financial items

During the financial year the Company secured a new funding structure by way of obtaining a new bond loan and a new convertible bond loan strengthening the capital structure of the Company. This enabled the Company to replace short term loans with relatively high interest rate. Financial items are affected by a one-off commitment fee on the convertible bond loan of DKK 0.4 million and negative currency adjustments of DKK 0.3 million due to the weakening of the USD against Danish kroner. Overall, net financial expenses amounted to DKK 1.6 million compared to DKK 1.4 million in 2016/17.

Profit/loss before tax

The Company recorded a loss before tax of DKK 9.3 million in 2017/18, which was DKK 6.0 million lower than the year before. The negative development was primarily due to the poor new order intake during the financial year.

Tax

Tax for the year amounted to a cost of DKK 0.6 million in 2017/18, compared to an income of DKK 0.6 million in the preceding financial year. The tax consists of current tax (income) of DKK 0.5 million, which relates to reimbursement under section 8x of the Danish Tax Assessment Act (TAA) and adjustment of deferred tax (cost) amounting to DKK 1.1 million where DKK 0.7 million is a write down of tax asset. The deferred net tax asset amounts to DKK 3.1 million at 30 June 2018. Rovsing expects to be able to utilize the tax asset within the next five years.

Profit/loss for the year and comprehensive income

The Company reported a loss for 2017/18 of DKK 9.9 million, against a loss of DKK 2.7 million in the preceding financial year.

BALANCE SHEET

Assets

At the end of 2017/18, total assets amounted to DKK 35.9 million, against DKK 41.5 million at 30 June 2017.

Intangible assets amounted to DKK 19.4 million at 30 June 2018, down by DKK 1.5 million on 30 June 2017. The decrease was due to ordinary depreciation and amortisation of DKK 3.0 million, DKK 0.1 million associated with development of the SAS product and DKK 1.4 million associated with development of two new co-funded ESA projects.

Deferred tax assets amounted to DKK 3.1 million, against a tax asset of DKK 4.2 million previous year.

Inventories amounted to DKK 1.1 million, representing a year-on-year decrease of DKK 1.8 million. The decrease was primarily owing to deliveries of stock-keeping SAS & SLP modules for the Boeing project.

At 30 June 2018, trade receivables and contract work in progress combined amounted to DKK 10.5 million, which was DKK 1.3 million higher than previous year.

Current assets, except cash, amounted to DKK 12.5 million, a decrease from DKK 14.5 million at 30 June 2017.

Liabilities and equity

Equity amounted to DKK 18.2 million at 30 June 2018, against DKK 18.2 million at 30 June 2017. During the year the equity increased with DKK 9.8 million form capital increases and an adverse effect from loss for the year of DKK 9.9 million.

The Company's funds tied up in working capital were strongly impacted by a total change of DKK 6.7 million in prepayments from customers, trade payables and other payables due to repayment of short term loans from related parties during the financial year. At 30 June 2018, there were only minor customer prepayments, while funding from trade payables fell from DKK 2.7 million at 30 June 2017 to DKK 0.6 million at 30 June 2018 and other payables amounted to DKK 3.0 million at 30 June 2018, against DKK 8.0 million a year earlier.

Funding guaranteed by the Danish Export Credit Agency (EKF) was fully repaid with DKK 4.7 million during the year. In addition, a new bond loan substituted the EFK funding with DKK 4.0 million and in 2017/18 the Company drew DKK 2.5 million on a new convertible bond facility.

CASH FLOW STATEMENT

As described in the Management's review, Rovsing experienced a decrease in the level of activity in the financial year 2017/18.

For several large-scale projects, the contractual payment terms did not allow Rovsing to invoice customers concurrently with Rovsing incurring costs associated with the projects or to obtain prepayments. As a result, funding from the Company's customers in the form of prepayments was reduced from DKK 0.4 million at 30 June 2017 to DKK 0.1 million at 30 June 2018, with funding from trade payables also declining from DKK 2.7 million to DKK 0.6 million at 30 June 2018 and in addition decrease in other payables (mainly loans to related parties) from DKK 8.0 million at 30 June 2017 to DKK 3.0 million at 30 June 2018. The change in these items had a combined adverse impact on cash flow from operating activities of DKK 6.7 million.

Cashflows from operating activities were positively impacted by a DKK 1.8 million decrease in funds tied up in inventories mainly due to deliveries of SAS modules to a large-scale project with RT-Logic for Boeing, which was completed during the year. Trade receivables increased from DKK 2.6 million at 30 June 2017 to DKK 4.4 million at 30 June 2018 of which DKK 1.1 million is related to one customer who withheld payment of overdue invoices. Payment of the overdue invoices has been received in July 2018.

Total cash flows from operating activities were a net cash outflow of DKK 11.0 million in 2017/18, against a net cash outflow of DKK 5.0 million in the preceding year.

In addition to the negative impact on Company liquidity from operations, investments in product development caused an additional outflow of DKK 1.6 million so that the total net cash outflow from operating and investing activities amounted to DKK 12.6 million, against an outflow of DKK 6.4 million last year.

This cash outflow was covered by means of e.g. a new bond loan with Formue Nord ApS of DKK 3 million and a new bond loan by JMC Equity ApS of DKK 1 million. These bond loans substituted the loan with The Danish Export Credit Agency (EKF) where the Company during the year repaid the loan in full of DKK 4.7 million.

The Company's liquidity requirement was also partly covered by two capital increases in the form of two directed share issues in October 2017 and December 2017. In October 2017 the Company received DKK 5.1 million in proceeds, corresponding to an increase of 10% of the Company's share capital. In December 2017 the Company received DKK 4.7 million, where DKK 1.9 million has been subscribed for by way of cash payment while DKK 2.8 million was subscribed for by conversion of debt.

Funding of the Company's operations

The liquidity situation during the 2017/18 financial year improved compared to the previous year, however the liquidity situation is still tight at the end of the financial year primarily due to the poor new order intake and funds tied up in working capital, especially trade receivables and work in progress.

During the latter part of the financial year, Management had focus on reducing the Company's fixed cost base, adapt the organisation to the activity level and improving the Company's funding structure.

One contribution was a new convertible loan facility with Formue Nord ApS, where the Company can draw up to DKK 7.5 million in total in tranches of DKK 0.625 million at a time per month. At 30 June 2018 the draw on the facility amounted to DKK 2.5 million.

As another contribution, the Company by way of capital increases during the financial year together with two new bond loans was able to reduce the Company's inexpedient portfolio of short-term loans. A loan of DKK 4.7 million was fully repaid, where the funding was guaranteed by EKF.

Under the current rules for listed companies, Rovsing may issue new shares for up to 20% of the Company's existing share capital within a financial year. Within this framework, the size of a potential capital increase will be assessed relative to the immediate liquidity requirement, the capital aspects of the Company's strategy and investor appetite for buying Rovsing shares.

Should Rovsing carry out a capital increase, the contributed capital would be expected to be used partly for investing in commercial initiatives aimed at consolidating the Company's growth and competitiveness and as a general liquidity buffer. Reference is made to the section on the Company's risk factors on page 19, which describes risk associated with the Company's liquidity.

Dividends

The Board of Directors recommends to the annual general meeting that no dividend be declared in respect of the 2017/18 financial year.

Outlook for 2018/19

Considering the above developments, the Company's new strategy, the completed sourcing process and the expected order intake for 2018/19 management expects for the financial year 2018/19 a revenue of around DKK 28-32 million and an EBITDA of around DKK -1 to 1 million.

EVENTS AFTER THE REPORTING PERIOD

After the balance sheet date, no events have occurred that materially affect the Company's financial position other than the events described in the Management's review.

SIGNIFICANT ACCOUNTING ESTIMATES

For a description of items involving significant recognition and measurement uncertainties, see note 2 to the financial statements.

SHAREHOLDER INFORMATION

Rovsing's shares are listed on Nasdaq OMX Copenhagen and traded under the abbreviation ROV and ISIN code DK0060049542. The Company's share capital has a total nominal value of tDKK 20.243 and is divided into 404.854.455 shares of DKK 0.05 each. No shares carry any special rights.

Outstanding shares	No. of shares
Beginning of year	333,212,047
Issuance of new shares upon exercise of warrants	5,000,000
Share issue	66,642,408
End of year	404,854,455

SHARE PRICE

The highest and lowest prices of Rovsing shares in 2017/18 were DKK 0.22 and 0.10, respectively. At the end of the financial year, the share price was DKK 0.10. At 30 June 2018, Rovsing had a market capitalisation of DKK 40.5 million.

SHARE LIQUIDITY

The average daily turnover in 2017/18 was 1.225.591 shares with an average of 20 transactions per day.

SHAREHOLDERS

At 30 June 2017, Rovsing had a total of 3.791 registered shareholders. 95.0 % of the shares in Rovsing are registered in the name of the holder.
The table below shows the composition of Rovsing's shareholders.

Shareholders	No. of shares	%
MediumInvest A/S	36,071,044	8.91
CATPEN A/S	25,528,982	6.31
Other shareholders	343,254,429	84.78
Total	404,854,455	100.0

EMPLOYEE SHARES

No employee shares were granted in 2017/18.

WARRANT SCHEMES

In the period until 27 October 2022, the Board of Directors is authorized to issue warrants for board members and/or employees. The Board of Directors may issue warrants with a nominal value up to DKK 2.750.000 in the Company, corresponding to 55.800.000 warrants of DKK 0.05 each.

In the financial year, the former CEO, Cristian Bank exercised 5.000.000 warrants and the Company issued new shares in that connection.

DIVIDEND POLICY

Historically, the Company has paid dividends and made distributions, but the Board of Directors presently has no plans to pay dividends or make distributions in the foreseeable future.

AUTHORITIES GRANTED TO THE BOARD OF DIRECTORS

Authorities granted to the Board of Directors are set out in articles 5 and 6 of the articles of association.

The articles of association are found on the Company's website www.rovsing.dk under "Investor relations".

FINANCIAL REPORTING TO SHAREHOLDERS

The Company publishes an annual report and interim reports every quarter. These reports are published through NASDAQ OMX Copenhagen.

ANNUAL GENERAL MEETING

The annual general meeting of Rovsing will be held on 22 October 2018 at 14:00 at the Company's premises at Dyregårdsvej 2, DK-2740 Skovlunde.
The general meeting shall be convened by the Board of Directors not more than five weeks and not less than three weeks before the general meeting by publication of an announcement to NASDAQ OMX Copenhagen, on the Company's website www.rovsing.dk and by e-mail to shareholders recorded in the register of shareholders who have so requested.

AMENDMENTS TO ARTICLES OF ASSOCIATION

Resolutions on any amendment to the articles of association shall be passed by a majority of two-thirds of the votes cast as well as of the voting share capital represented at the general meeting. Proposals to amend the articles of association must be submitted in writing to the Company not later than six weeks before the date of the general meeting.

SHAREHOLDER INFORMATION

FINANCIAL CALENDAR

14 September 2018, publication of annual report for 2017/18.

22 October 2018, Annual General Meeting regarding financial year 2017/18.

16 November 2018, publication of interim report for Q1 2018/19.

15 February 2019, publication of interim report for H1 2018/19.

10 May 2019, publication of interim report for Q3 2018/19.

13 September 2019, publication of annual report for 2018/19

ISSUED COMPANY ANNOUNCEMENTS

Announcement no 279 - 9 August 2018
Financial Calendar 2018/2019

Announcement no 278 - 11 May 2018
Interim Report Q3 2017/2018

Announcement no 277 - 20 April 2018
Contract signature for CSG Services

Announcement no 276 - 17 April 2018
Contract negotiation

Announcement no 275 - 21 March 2018
New credit line

Announcement no 274 - 16 February 2018
Interim Report first half year 2017-2018

Announcement no 273 -26 January 2018
Change of CEO

Announcement no 272 - 22 January 2018
Changes to the Board of Directors at Rovsing A/S

Announcement no 271 - 12 January 2018
Industrial consortium including Rovsing wins contract from CNES

Announcement no 270 - 10 January 2018
Issue of new shares and exercise of warrants

Announcement no 269 - 21 December 2017
Change at the Rovsing Board of Directors

Announcement no 268 - 07 December 2017
Strategic initiatives and directed share issue

Announcement no 267 - 17 November 2017
Interim Report Q1 2017/2018

Announcement no 266 - 29 October 2017
Minutes of the general assembly

Announcement no 265 – 05 October 2017
Notice to General Meeting

Announcement no 264 - 05 October 2017
Capital Increase

Announcement no 263 - 22 September 2017
Annual Report 2016/2017

Announcement no 262 - 24 August 2017
CFO change

Announcement no 261 - 14 July 2017
Finance Calendar 2017/18

REGISTRAR

Computershare A/S
Kongevejen 418
DK-2840 Holte

INVESTOR RELATIONS CONTACTS

Hjalti Pall Thorvardarson, CEO
Tel: +45 44 20 08 29
E-mail: hpt@rovsing.dk

Michael Hove, Chairman
Tel. +45 28 12 66 09
E-mail: mh@salespartners.dk

CORPORATE GOVERNANCE

Rovsing's Board of Directors regularly reviews the Company's corporate governance and strives to follow the recommendations of the Committee on Corporate Governance. (www.corporategovernance.dk).

The Company has resolved not to follow all the recommendations of the Committee of Corporate Governance, as the Board of Directors finds it appropriate to organize the Company's governance differently in some respects due to Rovsing's specific circumstances.

Certain of recommendations with which the Board of Directors has resolved not to comply are described below. For a full report on the status of the Company's compliance with the recommendations, please refer to the corporate governance report published on Rovsing's website under "Investor Relations" and "Corporate Governance". http://www.rovsing.dk/uploads/File/Corporate_governance_2016_17.pdf . (in Danish only)

Recommendation regarding election of vice-chairman

According to section 2.3.1 of the recommendations, the Board of Directors is recommended to appoint a vice-chairman. Due to the limited size of the Company, the Board of Directors has not considered it necessary so far to appoint a vice-chairman.

Recommendation regarding a retirement age for members of the board of directors

According to section 3.1.4 of the recommendations, the Company's articles of association are to stipulate a retirement age for members of the Board of Directors. Rovsing's articles of association stipulate no such retirement age, and the Board of Directors does not find it necessary to introduce such a limit as it attaches great importance to the experience of its members and finds that a reasonable age composition and renewal can be achieved without any provisions to that effect in the articles of association. The oldest member of the current Board of Directors is Jørgen Hauglund, who was born in 1960.

Recommendation regarding board committees

According to section 3.4.3 of the recommendations, the Board of Directors is to set up an audit committee. The Board of Directors has decided that the functions of an audit committee will be undertaken by the full Board of Directors, see section 31(5) of the Danish Auditors' Act. In the opinion of the Board of Directors, its members possess sufficient knowledge of the Company's accounting and auditing aspects.

According to section 3.4.6 of the recommendations, the Board of Directors is recommended to establish a nomination committee. Due to the size of the Company, the Board of Directors has decided that the functions of a nomination committee will be undertaken by the Company's Chairman in collaboration with the other board members.

According to section 3.4.7 of the recommendations, the Board of Directors is recommended to establish a remuneration committee. Due to the size of the Company, the Board of Directors has decided that the functions of a remuneration committee will be undertaken by the full Board of Directors as the board members are deemed to possess the requisite knowledge and experience to do so.

Recommendation regarding remuneration in the form of share options

According to section 4.1.3 of the recommendations, the remuneration of the Board of Directors should not include share options. The Board of Directors at Rovsing does not follow this recommendation as the Board of Directors are all participants in the Company's incentive warrant programme.

MANAGEMENT AND ORGANISATION

Rovsing has two management bodies – the Board of Directors and the Executive Management. The general meeting elects the Board of Directors, which acts as the supreme authority of the Company between general meetings. The Board of Directors is the supervisory management body of the Company, which undertakes the employment of the Executive Management. The role of the Board of Directors is to supervise the Company's activities, development and management. The Executive Management is in charge of the day-to-day management and operation of the Company and must comply with the guidelines given by the Board of Directors.

Pursuant to the Company's articles of association, the Board of Directors must be composed of three to seven members. The Board of Directors is currently composed of four members, elected for a term of one year. The aim is for the Board of Directors to be composed of persons who possess the necessary skills for performing their duties and have an in-depth understanding of the Company's business affairs. In this respect, the Board of Directors considers the following skills to be important: Insight into the institutional and commercial aerospace market, experience in development, manufacturing and sale of advanced test equipment, experience in international project sales and the related legal aspects, and management experience from a listed company.

The Board members' shareholdings through controlled companies and/or held personally are set out on pages 56.

The remuneration of the Board of Directors for 2017/18 was unchanged at DKK 100,000. The Chairman receives 200% of the basic fee.

At the Company's annual general meeting in October 2017 Jørgen Hauglund and Søren Anker Rasmussen were reelected to the Board of Directors, while Michael Hove, Flemming Hynkemejer and Ulrich Beck were elected as new members.

In December 2017, Søren Anker Rasmussen resigned from the Board of Directors.

In January 2018, Michael Hove took over as chairman of Rovsing's Board of Directors while Jørgen Hauglund continued as ordinary member of the Board. Jørgen Hauglund has since informed the Company that he will not seek reelection at the Company's general meeting in October 2018.

In January 2018, the Company's former CEO Cristian Bank resigned from his position with Rovsing. As new CEO, the Company appointed Hjalti Pall Thorvardarson.

The remuneration of the Executive Management consists of a fixed salary and incentive programmes in the form of a cash bonus and warrants. The weighting of the individual remuneration elements is intended to support the Company's positive performance in the short and long term. The cash bonus is performance-based relative to the annual budget to promote the Executive Management's focus on both revenue and costs. The vesting of warrants is based on the CEO's and CFO's employment with the Company and is described in more detail in note 6 to the financial statements.

INTERNAL CONTROL AND RISK MANAGEMENT

Rovsing's internal control systems and procedures in relation to financial reporting are to contribute to ensuring that the financial statements give a true and fair view of the Company's financial position and are free from material misstatement.

Rovsing's Board of Directors is responsible for the establishment and approval of an effective internal control and follow-up system for purposes of the Company's risk management, including relevant guidelines, policies and significant accounting principles.

The Executive Management is responsible for risk management and maintaining an efficient control system, considering applicable legislation and other internal guidelines and procedures. Risk management is focused on risk identification, probability and impact assessment, and risk mitigation measures. The purpose of control activities is to prevent, detect and correct any errors or irregularities. The activities have been integrated in Rovsing's accounting and reporting procedures. These activities include procedures for verification, authorization, approval, reconciliation, result analysis, IT application controls, and general IT controls.

Detailed monthly accounting data are prepared, analysed and monitored at entity and Company level. Rovsing's integrated IT controls and general controls contribute to ensuring that the financial statements give a true and fair view. Reporting instructions, including estimation and close-of-month procedures, are updated and implemented on a regular basis. Combined with other policies, these are available to all relevant employees.
Any control weaknesses identified by internal control or external auditors are presented to the Board of Directors, which oversees that Management implements the necessary measures to remedy the weaknesses in a timely manner.

CORPORATE SOCIAL RESPONSIBILITY

Rovsing has not adopted any policies for corporate social responsibility.

ENVIRONMENT

As a knowledge business, Rovsing has no significant impact on the external environment. Accordingly, no measures have been taken to prevent, reduce or remedy environmental damage.

GENDER COMPOSITION

The Company aims to promote diversity in the Company, including to achieve a reasonable representation of both genders on the Board of Directors. The Board of Directors aims for its members to complement each other in the best possible way with respect to age, background, nationality, gender, etc. with a view to ensuring a qualified and versatile contribution to the board activities in the Company. However, the nomination of candidates will always be based on an assessment of the capabilities of the individual candidate and how they match the needs of the Company. The target is to ensure representation of at least 25% of both genders on the Board of Directors in 2020.

RISK FACTORS

The risk factors below are not listed in any order of priority according to significance or probability. It is not possible to quantify the significance to Rovsing of each individual risk factor as each of the risk factors mentioned below may materialise individually or simultaneously to a greater or lesser degree and have a material adverse effect on Rovsing's business, operating profit and financial position.

RISKS RELATED TO THE COMPANY

The Company's earnings expectations are subject to considerable uncertainty

The Company's expectations for the future are based on a number of assumptions. If these assumptions are not met, in whole or in part, the Company's future results may deviate considerably from the expectations, which may have a material adverse effect on the Company's operations, results and financial position.

Liquidity risk

The Company's liquidity position is still tight at June 2018 but has improved during 2017/18 compared to previous financial year as a consequence of completed directed share issues and by way of entering two new bond loans and a new convertible bond facility. In addition the Company repaid short term loans with high interest from related parties during the financial year.

Liquidity problems due to late payment by customers

The aerospace market is characterised by very late payments by customers from time to time. Such delays may adversely affect the Company's liquidity and increase the risks related thereto, as discussed above. Delayed deliveries to or approvals from customers may have a similar effect.

The Company is dependent on a few large customers

Rovsing is dependent on a few large and long-standing customers. The European Space Agency, ESA (end customer), typically delegates the overall responsibility for a space programme to the largest European space companies – Airbus Defense & Space, Thales Alenia Space or OHB ("Prime Contractors") – through contracts.

Although, when awarding a contract to a Prime Contractor, ESA also requires an open competitive process in the selection of subcontractors, it is crucial for the Company's future development in the space industry to maintain its good relations with these Prime Contractors. There can be no assurance of this, and the opposite scenario could lead to a loss of future orders and materially affect the Company's future earnings and results.

Technological developments may impair the Company's competitiveness

Even though the Company is not dependent on individual technologies or processes, technological developments may occur in the future which may impair the Company's competitiveness, including if the Company's fails to maintain a certain level of investment in the maintenance and development of its current intellectual property rights or faces difficulty to source parts.

Tenders may be unsuccessful

The Company's large customers launch a limited number of calls for tenders a year. The outcome of these tenders will have a not insignificant impact on the Company's revenue, earnings and future competitiveness. The outcome of such tenders depends on various factors which are beyond the Company's control, including the quality and price offered by the other tenderers. As there are only a few calls for tenders, there is a risk of losing more than expected or them all, which will materially affect the Company's future results.

The Company is not yet ISO-certified and is therefore facing a risk of being rejected for that reason as supplier to certain customers in the commercial space industry, and this may have a negative impact on the Company's future development opportunities.

Lack of contract opportunities due to fully allocated return quota

For each ESA programme, a ratio applies to the aggregate contract amount permitted in each participating member state. There is a risk that other Danish businesses are awarded so many contracts under a programme that it reduces Rovsing's contract opportunities under that programme.

Risk of infringement of intellectual property rights

Rovsing's products are developed from scratch, and Rovsing has been informed by SSBV that the same applies to the acquired products from SSBV. Despite this, there is a risk that the products will infringe third party rights, including patent rights.

Such infringement may involve substantial claims from the rightsholders and/or cause rightsholders to obtain injunctions against supply of the products containing the infringing material, which may materially affect Rovsing's results.

Fixed-price contracts may involve losses

Although Rovsing has switched to basing its deliveries on standard products, Rovsing remains a development business which, in some tenders, has to prepare estimates of the resources required to perform the individual contracts. There is a risk that Rovsing underestimates the (development) costs associated with existing or future projects and therefore cannot achieve the budgeted contribution margins and/or incurs losses in connection with projects.

Insufficient insurance cover

There is no guarantee that the insurance cover acquired is sufficient to compensate for a loss arising due to a claim, including especially a product liability claim. The Company strives to minimise its exposure by way of its general terms of sale and delivery and its commercial liability and product liability insurance, but there is no certainty that all situations have been agreed in such a way as to prevent an error from having a negative impact on the Company's earnings.

In addition, a loss for which the Company is liable or jointly liable may potentially damage the Company's opportunities to enter into future contracts, as the Company's business concept involves protecting customers against such losses.

Wrong assessment of market penetration time and demand in new markets

Penetration of new markets involves a number of uncertainties – not least in terms of market penetration time. The Company has significant references from the space industry but does not yet possess detailed knowledge of all markets as regards applications. Both the penetration time and the fact that services provided by the Company are often competing with internal resources of other companies, are subject to uncertainty. These factors may materially affect the Company's future revenue and earnings.

Trade restrictions may impact future business

A delivery to one market, e.g. the Chinese market, may affect the possibilities for supplying to other markets, e.g. the USA.

Restrictions on export bonds to certain countries can impact the Company's ability to enter into new business markets.

Accumulation of application know-how may be affected by lack of recruitment

The Company's strategy is initially to accumulate market knowledge, technical skills and marketing skills in the global aerospace market, primarily through recruitment at the board, management, engineer and sales level. When entering new market areas, the headcount will increase with a resulting risk that capacity adjustment problems may arise.

There is a risk that the Company will not succeed in balancing the capacity to ensure coherence between the contracts concluded and availability of sufficient capacity in terms of both quality and quantity, which may affect the Company's future revenue and results.

The Company is dependent on key persons

As a knowledge-based business, the future development of the Company relies on contributions from current and future employees. The Company's employees are its greatest asset. The Company's ability to attract, retain and develop talented employees is therefore considered essential to the Company's future activities, results and financial position.

The Company's development to date in respect of management, development and marketing has been driven extensively by individuals. A loss of one or more of these employees may have a material adverse effect on the Company's business. However, there can be no assurance that this will not happen.

Unsatisfactory contribution margins of products and services may impact results

The Company's earnings rely strongly on its ability to secure satisfactory contribution margins of its contracts.

The contribution margin depends on the Company's ability to maintain a high level of expertise within its product areas and its possibilities for reusing product developments.
A lack of the same will have negative consequences.

Capitalised development costs, product rights and/or tax assets may be written off

In its annual report for 2017/18, Rovsing capitalised development costs and product rights totaling DKK

19.4 million and a tax asset of DKK 3.1 million. There is a risk that the products developed cannot be sold to the extent expected and/or that the Company does not generate a profit in the coming financial years, and that the capitalised development costs, product rights and/or tax asset will be written off in connection with future financial statements. Such a scenario will affect Rovsing's results and balance sheet.

Exchange rate risk

In the space industry, the Company's contracts are primarily concluded in EUR or USD. As the Danish krone is pegged to the Euro, the exchange rate risk in this connection is low. However, exchange rate risk occurs while the Company has entered into contracts in USD.

INDUSTRY-SPECIFIC RISK

Competitors may drive the Company out of the market

The Company is competing in an ever-changing market with a large number of development businesses in Europe, including a few in Denmark.

As the Company's customers increasingly use standard products, there is a risk that one or more competitors develop competing standard products which become market leading. This and/or the general competition from other development businesses may entail a substantial reduction of the Company's revenue and may in that case materially affect the Company's results going forward.

Aerospace market may be affected by ESA membership

The Company's market segment mainly consists of the institutional European aerospace market and exclusively exists owing to Denmark's ESA membership.

If Denmark terminates its membership or reduces its contribution considerably, a very substantial part of Rovsing's market will cease to exist, and this will have a very significant impact on the Company's activities, results and financial position. Changes to the geographical return rules may affect the Company's earnings. Lastly, stricter enforcement of the rules, e.g. so that the four large countries (Great Britain, France, Italy and Germany) of ESA's 22-member states gain a larger portion of the contracts, will make the market conditions much more difficult. This also involves a risk to the Company's future development in the European space industry.

At a meeting of ministers in December 2016, Denmark confirmed its continued ESA membership and participation in optional programmes for the period 2017 - 2019 for an aggregate amount of DKK 350 million. This combined with the mandatory membership fee brings Denmark's contribution to ESA programmes to approximately DKK 227 million a year, which is largely unchanged on the year before.

Hence, there are currently no signs that Denmark is about to withdraw from the ESA collaboration.

Nor are there any signs that the geographical return rules will be abolished or that ESA will apply the return rule more arbitrarily in the future, but there is not guarantee of that. There is a risk that changed political priorities may materially affect the member states' funding of ESA programmes, which in that case will affect the Company's prospective income and have a material adverse impact on results.

In 2016 and earlier, ESA commenced discussions with the delegates of the member states regarding a different procurement policy for its future programmes, and during 2017 ESA completed a pilot project with the new procurement policy for the FLEX and PLATO programmes.

Although there are no indications that this new procurement policy will have a negative impact on the geographical return rules, or that ESA will apply the return rules more arbitrarily in the future, there is no guarantee of that.

ESA contracts involve a process in which the individual companies that have submitted bids for the individual project are assessed, and the individual project participants are subsequently selected. A kick-off meeting is held where the selected project participant receives an approval to commence the project, but the actual contract is signed at a later point in time. This process involves a risk that the contracts are never signed and that only the approved part is completed. Rovsing has never experienced a situation where a kicked off contract was not completed, but there is no guarantee that this will not happen. In that case, such a process may involve substantial losses for the Company.

Complaint costs

In connection with the development and delivery of Rovsing's high-tech solutions, extensive testing is often conducted in collaboration with customers. However, there is a risk that the products contain defects that are not detected during testing. This may subsequently result in complaint costs.

MANAGEMENT STATEMENT

The Board of Directors and the Executive Management today considered and adopted the annual report of Rovsing A/S for the financial year 1 July 2017 to 30 June 2018. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and Danish disclosure requirements for listed companies. The Management's review is also presented in accordance with Danish disclosure requirements for listed companies.

We consider the accounting policies applied to be appropriate. Accordingly, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 30 June 2017 and of the Company's activities and cash flows for the financial year 1 July 2017 to 30 June 2018.

We believe that the Management's review includes a fair review of developments in the Company's activities and finances, results for the year and the Company's financial position in general as well as a fair description of the principal risks and uncertainties to which the Company is exposed.

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

Skovlunde, 14 September 2018

Executive Management

Hjalti Pall Thorvardarson (CEO)

Sigurd Hundrup (CFO)

Board of Directors

Michael Hove (Chairman)

Jørgen Hauglund

Flemming Hynkemejer

Ulrich Beck

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Rovsing A/S

Opinion
We have audited the Financial Statements of Rovsing A/S for the financial year 1 July 2017 – 30 June 2018, which comprise income statement, total statement of income, balance sheet, statement of changes in equity, cash flow statement, notes and a summary of significant accounting policies. The Financial Statements are prepared under the International Financial Reporting Standards approved by EU and additional requirements under the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 June 2018, and of the results of the Company operations and cash flows for the financial year 1 July 2017 – 30 June 2018 in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements under the Danish Financial Statements Act.

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

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our belief we have not conducted any prohibited non-audit services, as stated in Art. 5 (1) of EU Regulation no. 537/2014.

We were first time appointed auditors of Rovsing A/S on 25 October 2013 for the financial year 2013/14. We were re-appointed annually by a resolution of the General Meeting for a total continuous engagement period of five years up to and including the financial year 2017/18.

Emphasis of Matter in the Financial Statements
We draw attention to note 2 Financial estimates and assessments in the Financial Statements describing the uncertainty attached to the valuation of the intangible fixed assets and the recognized tax asset. The value of the recognized intangible fixed assets and the recognized deferred tax asset depends on the Company being able to realize Management's expectations for improvement of activities and results. Actual results will probably differ from the expected results because assumed events often do not happen as expected and, therefore, the valuation of the recognized intangible fixed assets and the recognized deferred tax assets is subject to considerable uncertainty. Our opinion is not modified in respect of this matter.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements for the financial year 2017/18. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of intangible fixed assets, including impairment test
The carrying amount of intangible fixed assets is DKK 19.4 m and is subject to significant estimates. Reference is made to the Financial Statements, page 28 in the Balance Sheet, page 39, note 2 "Intangible fixed assets", and page 36-37 "Accounting policies".

Management's assessment of the value is based on the current value of expected future cash flows and depends basically on two parametres: the sum of the Company's future profits and the minimum return on interest requirement made by an investor providing capital to the Company.

Our audit
Our most significant audit procedures in relation to valuation of completed development projects, including impairment test, were:

- We have examined the model used by Management for determination of the assessed value, including the key assumptions included in the model,
- We have verified the intrinsic numerical coherence of the model used by Management to determine the assessed value,
- We have verified that estimates of the Company's future profits, included in the model, are based on reasonable and provable assumptions that represent Management's best estimate,
- We have assessed the discounting factor used in relation to a market requirement,
- We have assessed the adequacy of additional information in the Financial Statements relating to the impairment test.

Valuation of deferred tax asset
The carrying amount of deferred tax asset is DKK 3.1 m and is subject to significant estimates. Reference is made to the Financial Statements, page 28 in the Balance Sheet, page 39, note 2 "Deferred tax", and page 36-37 "Accounting policies".

Management's assessment of the value is based on budgets and forecasts. The deferred tax asset is recognised on the basis of expected tax profits in the coming 5 years.

Our audit
Our most significant audit procedures in relation to valuation of deferred tax asset were:

- We have examined the budget for the financial year 2018/19 and Management's forecast for the following years,
- We have verified the intrinsic numerical coherence of the budget prepared,
- We have verified that estimates of the Company's future tax profits, included in the model, are based on reasonable and provable assumptions that represent Management's best estimate,
- We have assessed the adequacy of additional information in the Financial Statements relating to additional information on the valuation of deferred tax asset.

Statement on Management's Review
Management is responsible for Management's Review, which is presented at pages 6 to 21 in the Financial Statements.

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 during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

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

Management's Responsibilities for the Financial Statements
Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements under the Danish Financial Statements Act.

Management is moreover responsible 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 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 in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for 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 conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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 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 in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 Company to cease to continue as a going concern,
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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 submit a statement to those charged with governance that we have met relevant ethical requirements relating to independence and inform of all relations and other matters which may reasonably be conceived to influence our independence and, where relevant, associated security measures.

Based on the matters communicated to the Management we determine which matters were the most significant in connection with the audit of the Financial Statements for the period under review and consequently became the Key Audit Matters. We describe these matters in our Independent Auditor's Report, unless legal or other regulatory requirements prevent the publication of the matter, or in the very rare cases where we determine that the matter should not be communicated in our Independent Auditor's Report, because the negative consequences could reasonably be expected to be of more critical importance than the advantages that such communication would bring to the public interest.

Herning, 14 September 2018

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Steen Pedersen
State Authorised Public Accountant
MNE no. mne23302

INCOME AND COMPREHENSIVE INCOME STATEMENT

Note	INCOME AND COMPREHENSIVE INCOME STATEMENT	2017/18	2016/17
	DKK'000		
3	Revenue	25,127	38,968
	Production costs, external	-6,393	-10,411
	Gross profit/loss	**18,734**	**28,557**
4	Other external expenses	-4,451	-4,606
5, 6	Staff costs	-18,796	-22,691
	Operating profit before depreciation and amortisation (EBITDA)	**-4,513**	**1,260**
7, 8	Depreciation, amortisation and impairment	-3,209	-3,181
	Operating profit/loss (EBIT)	**-7,722**	**-1,921**
9	Financial income	49	30
10	Financial expenses	-1,603	-1,373
	Profit/loss before tax	**-9,275**	**-3,264**
11	Tax on profit/loss for the year	-636	590
	Net profit	**-9,912**	**-2,675**
	Comprehensive income	-9,912	-2,675
	Allocation of profit/loss:		
	Shareholders of Rovsing A/S	-9,912	-2,675
	Transferred from share premium	0	0
	Retained earnings	-9,912	-2,675
12	**Earnings per share**		
	Earnings per share (EPS Basic)	-0,03	-0.01
	Earnings per share (EPS-D)	-0,03	-0.01

BALANCE SHEET

Note	BALANCE SHEET, ASSETS	2017/18	2016/17
	DKK'000		
	Non-current assets		
	Intangible assets		
13	Completed development projects	16,636	19,240
13	Patents and licenses	1,359	1,681
13	Development projects in progress	1,442	0
		19,437	20,921
	Property, plant and equipment		
14	Other fixtures and fittings, tools and equipment	267	414
		267	414
	Other non-current assets		
	Tax	484	206
15	Deferred tax	3,080	4,199
		3,564	4,406
	Total non-current assets	23,268	25,741
	Current assets		
	Inventories	1,090	2,889
16	Trade receivables	4,394	2,647
17	Contract work in progress	6,125	6,538
	Tax	206	1,508
	Other receivables	299	498
	Prepaid expenses	378	446
	Cash	143	1,192
	Total current assets	12,634	15,718
	TOTAL ASSETS	35,902	41,459

BALANCE SHEET

Note	BALANCE SHEET, EQUITY AND LIABILITIES	2017/18	2016/17
	DKK'000		
18	**Equity**		
	Share capital	20,243	16,661
	Reserves for development costs	2,399	938
	Retained earnings	-4,433	618
	Total equity	18,210	18,217
	Current liabilities		
	Credit institutions	7,107	7,205
	Funding guaranteed by EKF	0	4,650
19	Bond loans	6,500	0
17	Prepayments, customers	100	417
	Trade payables	639	2,719
20	Other payables	3,004	8,002
21	Provisions	342	250
	Total current liabilities	17,692	23,243
	Total liabilities	17,692	23,243
	TOTAL EQUITY AND LIABILITIES	35,902	41,459

STATEMENT OF CHANGES IN EQUITY

Note **STATEMENT OF CHANGES IN EQUITY**

DKK'000

2016/17	SHARE CAPITAL	RESERVES FOR DEVELOP-MENT COSTS	RETAINED EARNINGS	TOTAL
Equity at 1 July 2016	15,100	0	1,226	16,326
Comprehensive income for the period				
Comprehensive income	0	0	-2,675	-2,675
Transferred between reserves	0	938	-938	0
Total comprehensive income for the period	0	0	-3,613	-2,675
Other transactions				
Issue of new shares upon exercise of warrants	50	0	60	110
Share issue	1,511	0	2,566	4,077
Warrant programme	0	0	379	379
Total transactions with owners	1,561	0	3,005	4,566
Equity at 30 June 2017	16,661	938	618	18,217

2017/18	SHARE CAPITAL	RESERVES FOR DEVELOP-MENT COSTS	RETAINED EARNINGS	TOTAL
Equity at 1 July 2017	16,661	938	618	18,217
Comprehensive income for the period				
Comprehensive income	0	0	-9,912	-9,912
Transferred between reserves	0	1,461	-1,461	0
Total comprehensive income for the period	0	1,461	-11,373	-9,912
Other transactions				
Issue of new shares upon exercise of warrants	250	0	0	250
Share issue	2,335	0	4,651	6,986
Share issue by debt conversion*)	997		1,814	2,811
Costs emission	0	0	-238	-238
Warrant programme	0	0	95	95
Total transactions with owners	3,582	0	6,322	9,903
Equity at 30 June 2018	20,243	2,399	-4,433	18,210

*) The conversion of debt to shares was completed on 5 December 2017 and part of the directed share issue also completed on 5 December 2017.

CASH FLOW STATEMENT

Note	CASH FLOW STATEMENT	2017/18	2016/17
	DKK'000		
	Profit/loss for the year	**-9,912**	**-2,675**
	Adjustment for non-cash operating items etc.:		
8	Depreciation, amortisation and impairment	3,209	3,181
26	Other non-cash operating items, net	199	447
9	Financial income	-49	-30
10	Financial expenses	1,603	1,373
11	Tax on profit/loss for the year	636	-590
	Cash flows from operations before changes in working capital	**-4,314**	**1,707**
27	Change in working capital	-6,662	-6,235
	Cash flow from operations	**-10,976**	**-4,428**
	Interest receivable	49	30
	Interest payable	-1,603	-1,373
	Tax reimbursement	1,497	834
	Cash flow from operating activities	**-11,032**	**-5,038**
13	Acquisition of intangible assets	-2,198	-938
	Received development subsidies	620	0
14	Acquisition of property, plant and equipment	0	-390
	Cash flow from investing activities	**-1,578**	**-1,329**
	Debt raised	1,850	4,650
	Repayment of debt with credit institutions	-97	-1,285
	Capital increase, net proceeds from issue	9,796	4,077
	Warrants, employees	250	110
	Costs emission	-238	0
	Cash flow from financing activities	**11,561**	**7,552**
	Net cash flow for the period	**-1,049**	**1,185**
	Cash, beginning of year	1,192	6
	Cash, end of year	**143**	**1,192**

OVERVIEW OF NOTES TO THE FINANCIAL STATEMENTS

NOTES

NOTE 1. ACCOUNTING POLICIES

The annual report for 2017/18, which comprises the Company's financial statements, has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and additional Danish disclosure requirements for listed companies.
The accounting policies are consistent with those applied in 2016/17.

The annual report is presented in DKK.

Relevant new accounting standards

The annual report is presented in accordance with the standards (IFRS/IAS) and interpretations (IFRIC) applicable for financial years beginning on 1 July 2017 or later.

Rovsing A/S has adopted the following amended standards and interpretations from 1 July 2017.

Amendments to IAS 1 Disclosure Initiative was published in December 2014 and clarifies that entities are able to use judgements when presenting their financial statements.
Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation was published in May 2014. The amendments provide additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated.
Annual improvement to IFRSs 2014-2016 cycle covering 3 standards, from December 2016.
The adoption of the amended standards and interpretations has not had a significant impact on recognition or measurement in the financial statements for 2017/18 and is not anticipated to have a significant impact on the future periods.

New standards and interpretations not yet adopted

The IASB has issued a number of new amended standards and interpretations that are not mandatory for the financial statements for 2017/18. Some of which have not yet been endorsed by the EU. Rovsing A/S expects to adopt the standards and interpretations when they become mandatory. None of these are expected to have a significant impact on recognition and measurement but may lead to further disclosures in the notes.
IFRS 15 – Revenue from Contracts with Customers was published in May 2014 and established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The standard requires extensive disclosures. The standard is effective for annual periods beginning on or after 1 January 2018. During 2017/18 we have evaluated the five-step model framework on our current revenue streams and have not identified any significant effect on recognition and measurements. However, it is expected that disclosure requirements will increase.

The standard will be implemented using the modified retrospective method. Rovsing will make use of the relief from restating comparative figures and will only apply IFRS 15 to contracts that are not completed as of 1 July 2018.

IFRS 16 – Leases. For lessee, the distinction between finance and operating leases will be removed. In the future, operating leases must be recognised in the balance sheet with a right of use asset and a corresponding lease commitment. In the income statement, the lease cost is replaced by depreciation of the leased asset and an interest expense for the financial liability. The standards take effect in 2019 and is expected to increase the balance sheet total but is not expected to have significant effect on profit & loss and cash flow statement. We have started analyzing the Company's current contracts containing a lease to assess the impact of implementing IFRS 16. Based on our preliminary calculations the new standards is expected to result in an increase in total assets of DKK 1.0 million.

IFRS 9 – Financial instruments. The number of categories of financial assets is reduced to 3: amortised cost category, fair value through other comprehensive income category or fair value through the income statement category. Simplified rules regarding hedge accounting are introduced and impairment of receivables must be based on expected loss. The standard comes into force in 2018 and is not expected to have a significant effect on the financial statements.

Foreign currency translation

Rovsing uses DKK as it's functional and presentation currency.

On initial recognition, transactions denominated in foreign currency are translated at the exchange rate ruling on the transaction date. Foreign exchange differences arising between the exchange rate at the transaction date and at the date of payment are recognised in the income statement under financial income or expenses.

Receivables, payables and other monetary items denominated in foreign currency are translated at the exchange rates ruling at the balance sheet date. The difference between the exchange rate ruling at the balance sheet date and the exchange rate at the date when the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement under financial income or expenses.

NOTES

Revenue
Income from the sale of goods and services is recognised in the income statement provided that delivery and transfer of risk to the buyer has taken place at the balance sheet date and that the income can be reliably measured and is expected to be received. Revenue is recognised excluding VAT and taxes and net of discounts related to sales.

The percentage of completion for projects is determined on the basis of expenses incurred to date for engineering hours etc. associated with developing, manufacturing and installing the product relative to the expected overall expenses for completion of the projects.

Expected losses on uncompleted projects are expensed at the time when the expected loss is ascertained. Service and maintenance contracts are accrued and recognised as income over the term of the contracts.

Production costs, external
Other operating costs include cost of goods sold and other external costs incurred to generate the revenue for the year.

Other operating income
Other operating income includes grants, which are recognised in step with completion of the activity eligible for grant.

Other external costs
Other external costs comprise expenses for distribution, sale, marketing, administration, premises, etc.

Warrants
For equity-settled stock options and warrants, the fair value is measured at the grant date and recognised in the income statement under staff costs over the vesting period. The balancing item is recognised directly in equity.

On initial recognition of the stock options, the number of options expected to vest is estimated. Subsequently, adjustment is made only for changes in the number of employees estimated to become entitled to options or warrants.

The fair value is determined according to the Black-Scholes method.

Rental and lease matters
Rental obligations and obligations under operating leases are recognised in the income statement on a straight-line basis over the terms of the leases.

Financial income and expenses
Financial income and expenses include interest income and expenses, exchange gains and losses on securities, payables and transactions in foreign currencies, amortisation of financial assets and liabilities.

Tax
Tax on the profit/loss for the year, consisting of the year's current tax, movements in deferred tax and any prior-year adjustments, is recognised in the income statement as regards the amount that can be attributed to the profit/loss for the year and posted in other comprehensive income or directly in equity as regards the amount that can be attributed to movements in equity.

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

The tax value of tax losses carried forward is included in the statement of the deferred tax if the loss is likely to be utilised.

Deferred tax is measured on the basis of the tax regulations and rates that apply at the balance sheet date and are expected to apply at the time when the deferred tax is expected to crystallise as current tax.

Changes in deferred tax due to changes in the tax rates are recognised in the income statement as regards the share that relates to the net profit or loss for the year, whereas the share that relates to entries directly in equity is taken to other comprehensive income or directly to equity.

Intangible assets
Intangible assets recognised in the balance sheet are measured at the lower of cost less accumulated amortisation and the recoverable amount.

Investments in development comprise costs and wages directly attributable to the Company's development activities.

Development projects which are clearly defined and identifiable, where the level of technical utilisation, sufficient resources and a potential future market or business opportunity for the Company can be demonstrated, and where the intention is to manufacture, market or utilise the project, are recognised as intangible assets if the cost can be reliably measured, and there is sufficient certainty that the future earnings can cover production and sales costs, administrative expenses and investments in development.

NOTES

After completion of the development work, development costs are amortised on a straight-line basis over the estimated useful life.

Grants received to cover capitalised development costs are recognised as reduction in the cost of the development asset when the development asset is ready for use and is recognised in the profit & loss as the developed asset is amortised.

Other development costs are recognised in the income statement as incurred.

The usual amortisation period is three to ten years. Acquired rights are amortised over ten years.

Impairment of intangible assets

Development projects in progress are tested for impairment annually by comparing the carrying amounts of the assets with their recoverable amounts. Other development projects are reviewed on an ongoing basis to determine whether there are any indications of impairment in excess of the amount provided for by normal depreciation. If there is an indication that an asset may be impaired, it is tested for impairment.

If the carrying amount of development projects exceeds their recoverable amount, the carrying amount is written down to the recoverable amount.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation. Depreciation is charged on a straight-line basis over the expected useful lives of the assets.

Tools and equipment and software are depreciated over three to five years.

Software is measured at cost less accumulated depreciation.

Software is depreciated using the straight-line method over its expected useful life, estimated at three to five years. The assets' residual values and useful lives are assessed annually and adjusted, if appropriate, at each balance sheet date. Gains or losses on the disposal or removal of assets are recognised in the income statement under the same items as the related assets.

Impairment of property, plant and equipment

Depreciable assets are reviewed on an ongoing basis to determine any indications of impairment in excess of what is expressed in the normal depreciation of assets. If there is an indication that an asset may be impaired, it is tested for impairment. Where the recoverable amount is lower than the carrying amount, the value is written down to the lower recoverable amount.

Inventories

Inventories are measured at the lower of cost in accordance with the FIFO (first in, first out) method and the net realisable value. Goods for resale are measured at cost, comprising the purchase price plus delivery costs.

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

Receivables

Receivables are measured at amortised cost. Provision is made for bad debts.

Contract work in progress

Contract work in progress is measured at the selling price of the production performed. The selling price is calculated with due consideration to costs of completion, adjusted for any ascertained losses.

On-account payments received are deducted from the item contract work in progress. On account payments received over and beyond the completed part of the project are calculated separately for each contract and recognised in the item prepayments from customers.

Prepayments

Prepayments comprise costs incurred relating to subsequent financial years.

Pension obligations

Contributions to defined contribution plans are expensed as incurred.

NOTES

Other provisions
Other 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.

Current liabilities
Current liabilities, which comprise loans, trade payables and other payables, are measured at amortised cost.

Deferred income
Deferred income comprises payments received relating to income in subsequent financial years.

Cash flow statement
The Company's cash flow statement shows the cash flows for the year, broken down by operating, investing and financing activities, and the year's changes in cash and cash equivalents as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are calculated indirectly as the profit or loss for the year, adjusted for non-cash operating items, financial items paid and tax paid.

Working capital includes current assets less current liabilities, exclusive of the items included in cash. Cash flows from investing activities comprise the acquisition and disposal of intangible assets, property, plant and equipment and financial assets as well as the purchase of short-term securities.

Cash flows from financing activities comprise the raising of loans and repayment of interest-bearing debt and contribution of capital through share issues.

Cash and cash equivalents comprise deposits with banks.

NOTES

NOTE 2. ACCOUNTING ESTIMATES AND JUDGMENTS

Intangible assets

For each project, Management assesses whether the criteria for recognition as intangible assets are met. Completed development projects and product rights are tested annually for indication of impairment. If impairment is identified, an impairment test is performed for the individual development projects.

The carrying amount of completed development projects is DKK 16.6 million (2016/17: DKK 19.2 million).

Development projects in progress are subject to an annual impairment test. The impairment test is made on the basis of various factors, including the future use of the projects, the present value of the expected future earnings and other risks. For Rovsing, the measurement of development projects may to a substantial extent be affected by material changes to the estimates and assumptions on which the calculation of the values is based.

Contract work in progress

Contract work in progress and ongoing service contracts include non-invoiced services with a value of DKK 6.1 million (2016/17: DKK 6.5 million), which is recognised on the basis of an assessment of the percentage of completion of the delivered service. This assessment is based on the value of fees calculated using standard hourly rates. The fee value is adjusted to match the value calculated according to an estimated percentage of completion. This is part of the ongoing financial management process, and previously made estimates of the percentage of completion are regularly followed up, which reduces uncertainty associated with the calculation of the percentage of completion. See note 17.

Funding in 2018/19

In 2018/19, the existing short-term funding facility provided by Jyske Bank as well as two medium term bond loans and a convertible bond loan are expected to be part of the Company's funding structure.

The liquidity situation during the 2017/18 financial year improved compared to the previous year, however the liquidity situation is still tight at the end of the financial year primarily due to the poor new order intake and funds tied up in working capital, especially trade receivables and work in progress.

During the latter part of the financial year, Management had focus on reducing the Company's fixed cost base, adapt the organisation to the activity level and improving the Company's funding structure.

One contribution was a new convertible loan facility with Formue Nord ApS, where the Company can draw up to DKK 7.5 million in total in tranches of DKK 0.625 million at a time per month. At 30 June 2018 the draw on the facility amounted to DKK 2.5 million.

As another contribution, the Company by way of capital increases during the financial year together with two new bond loans was able to reduce the Company's inexpedient portfolio of short-term loans. A loan of DKK 4.7 million was fully repaid, where the funding was guaranteed by EKF.

Deferred tax

Rovsing recognises deferred tax assets, including the value of tax-loss carry forwards, if Management considers it likely that there will be sufficient taxable income in future. This assessment is based on budgets and business plans for the coming years and is inherently subject to a high degree of uncertainty. See note 15.

NOTES

3 REVENUE

DKK'000	2017/18	2016/17
Revenue, sale of services	25,127	38,968

Revenue for the year and previously year consists exclusively of exports. Revenue from one customer exceeds 10% of the total revenue in 2017/18.

4 EXPENSES FOR AUDITORS APPOINTED BY THE GENERAL MEETING

DKK'000	2017/18	2016/17
Audit of financial statements	236	191
Audit fee for other services	0	23
	236	214

NOTES

5 STAFF COSTS

	2017/18	2016/17
DKK'000		
Wages and salaries	16,770	20,192
Pension contribution	297	319
Other social security costs	1,419	1,361
Share-based payment	95	379
Other staff costs	213	440
	18,796	22,691
The item includes:		
Remuneration of the Executive Management	1,761	1,320
Share-based payments, Executive Management	95	303
Pension to the Executive Management	35	0
Remuneration of the Board of Directors	508	500
Share-based payments, Board of Directors	0	0
Average number of full-time employees	32	38

The Company's Executive Management has a bonus scheme based on achieved revenue and EBITDA. In addition, the Executive Management has an incentive programme, under which warrants vest on the basis of the Executive Management member's employment with the Company.

The service contract with the CEO may be terminated by the CEO giving three months' notice and by the Company giving 6 months' notice.

No remuneration has been agreed in connection with the CEO's potential resignation, and there are no special severance provisions for the CEO in connection with a takeover of the Company.

6 SHARE-BASED PAYMENT

Rovsing A/S has a warrant incentive programme for the Company's Board of Directors, CEO and CFO. The programme comprises a total of 55.800.000 warrants. Each warrant entitles the holder to buy one share of DKK 0.168 each in Rovsing A/S.

The outstanding warrants for the CEO and CFO equal 1.2% of the share capital if all warrants are exercised. The vesting of warrants for the CEO and CFO is based on employment with the Company. For the CEO and CFO 1.666.667 warrants vest after 12 months' employment, another 1.666.667 warrants vest after 24 months' employment and, finally, another 1.666.666 warrants vest after 36 months' employment. The warrants are issued with an exercise price of DKK 0.168 each.

The outstanding warrants for the Board of Directors equal 9.9% of the share capital if all warrants are exercised. The vesting of warrants for the Board of Directors is based on association with the Company. For the Board of Directors 15.201.406 warrants vest after 12 months' tenure, another 15.201.406 warrants vest after 24 months' tenure and, finally, another 15.201.406 warrants vest after 36 months' tenure. The warrants are issued with an exercise price of DKK 0.168 each.

In 2017/18 the costs recognised in the income statement relating to warrants is tDKK 95 (2016/17: tDKK 379).

NOTES

The calculation of fair value using the Black-Scholes model is made on the assumption of a volatility of 10%, a dividend payout ratio of 0% and an annual risk-free interest rate of 0.25%.

Specification of outstanding warrants:

	Executive Management	Other employees	Not allocated	Board of Directors	Total	Exercise price per warrant	Fair value per war-rant
Number of exercisable options:							
Outstanding at 1 July 2017	8,300,000	0	0	0	8,300,000	0.05	0.09
Granted in 2017/18:	4,876,722	1,373,715	3,145,346	45,604,217	55,000,000	0.168	-
Exercised	-5,000,000	0	0	0	-5,000,000	0.05	-
Lapsed	-2,500,000	0	0	0	-2,500,000	-	-
Outstanding at 30 June 2018	**5,676,722**	**1,373,715**	**3,145,346**	**45.604.217**	**55,800,000**	**-**	**-**

7 RESEARCH AND DEVELOPMENT COSTS

DKK'000	2017/18	2016/17
Research and development costs incurred	1,578	938
Development costs recognised as intangible assets	-1,578	-938
Amortisation and impairment of recognised development costs	2,740	2,623
Development costs for the year recognised in the income statement	2,740	2,623

8 DEPRECIATION, AMORTISATION AND IMPAIRMENT

DKK'000	2017/18	2016/17
Amortisation, completed development projects	2,740	2,623
Amortisation, patents and licenses	322	322
Impairment, patents and licenses	0	198
Depreciation, other fixtures and fittings, tools and equipment	147	38
	3,209	3,181

9 FINANCIAL INCOME

DKK'000	2017/18	2016/17
Exchange rate adjustments	49	30
	49	30

NOTES

10 FINANCIAL EXPENSES

DKK'000	2017/18	2016/17
Interest, banks, etc.	1.348	1,274
Exchange rate adjustments	254	99
	1,603	1,373

11 TAX ON PROFIT/LOSS FOR THE YEAR

DKK'000	2017/18	2016/17
Current tax	484	206
Prior period adjustments	9	0
Deferred tax	-1,129	383
Tax on profit/loss for the year	-636	590
Computed tax of profit/loss before tax	22.0 %	22.0 %

	2017/18	2016/17
Tax on profit/loss for the year is explained as follows:		
Computed tax 22% of profit/loss before tax for the year	2,041	718
Tax effect of:		
Unrecognised deferred tax asset	-2,703	0
Other non-deductible costs	-26	-128
Tax on cost charged to equity	52	0
Tax for the year	-636	590

12 EARNINGS PER SHARE

DKK'000	2017/18	2016/17
Profit/loss for the year	-9.912	-2,675
Average number of issued shares (1,000)	380,140	316,778
Earnings per share, (EPS Basic), of DKK 0.05 each	-0,03	-0.01

NOTES

13 INTANGIBLE ASSETS

2017/18	Patents and licenses	Completed development projects	Development projects in progress	Total
DKK'000				
Cost at 1 July 2017	22,350	29,229	0	51,579
Additions	0	0	2,198	2,198
Cost at 30 June 2018	22,350	29,229	2,198	53,777
Reclassification	0	136	-136	0
Development grants received			-620	-620
Cost at 30 June 2017	22,350	29,365	1,442	53,157
Amortisation and impairment at 1 July 2017	-20,669	-9,989	0	-30,668
Amortisation	-322	-2,740	0	-3,062
Impairment	0	0	0	0
Amortisation and impairment at 30 June 2018	-20,991	-12,729	0	-33,720
Carrying amount at 30 June 2018	1,359	16,636	1,442	19,437

All intangible assets are considered to have a limited useful life.

At 30 June 2018, Management performed an impairment test of the carrying amount of intangible assets. Assets are written down to the lower of the recoverable amount and the carrying amount. The recoverable amount in this year's test is based on the value in use of the expected cash flow on the basis of budgets and forecasts for the future.

As described in the Management's review, future earnings are substantially associated with product rights and own products. The size of the earnings and their timing are subject to considerable uncertainty. See "Risk factors" in the Management's review for more details.

NOTES

2016/17	Patents and licenses	Completed development projects	Development projects in progress	Total
DKK'000				
Cost at 1 July 2015	22,350	28,291	0	50,641
Additions	0	0	938	938
Cost at 30 June 2016	22,350	28,291	938	51,579
Reclassification	0	938	-938	0
Development grants received	0	0	0	0
Cost at 30 June 2016	22,350	29,229	0	51,579
Amortisation and impairment at 1 July 2015	-20,149	-7,366	0	-27,515
Amortisation	-322	-2,623	0	-2,947
Impairment	-198	0	0	-198
Amortisation and impairment at 30 June 2016	-20,669	-9,989	0	-30,658
Carrying amount at 30 June 2016	1,681	19,240	0	20,921

14 PROPERTY, PLANT AND EQUIPMENT

2017/18	Other fixtures and fittings, tools and equipment	Total
DKK'000		
Cost at 1 July 2017	607	607
Additions during the year	0	0
Disposals at cost	0	0
Cost at 30 June 2018	607	607
Depreciation and impairment at 1 July 2017	-193	-193
Depreciation for the year	-147	-147
Disposals	0	0
Depreciation and impairment at 30 June 2018	-340	-340
Carrying amount at 30 June 2018	267	267

The Company does not hold assets under finance leases.

NOTES

15 DEFERRED TAX

	2017/18	2016/17
Deferred tax asset at 1 July	-4,199	-3816
Change in deferred tax for the year	-1,574	-383
Prior period adjustment	-10	0
Unrecognised deferred tax asset	1,996	0
Write-down of tax asset pursuant to expected realisation (3-5 years)	707	0
Deferred tax asset at 30 June	-3,080	-4,199

Deferred tax in the Company is specified as follows:

DKK'000	2017/18	2016/17
Intangible assets	3,575	3,199
Property, plant and equipment	-31	-28
Current assets	3,569	3,589
Prepaid grants	0	0
Tax loss carry-forwards	-17.923	-15,986
Non-recognised share of tax asset	7,730	5,027
Deferred tax asset at 30 June	-3,080	-4,199

Tax losses relate to specific matters and late organisational adjustments. Utilisation of the tax losses is not time-limited. The tax losses are expected to be utilised in future positive earnings within a five-year period.

16 RECEIVABLES

	2017/18	2016/17
DKK'000		
Trade receivables	4,394	2,647
Write-downs to cover losses	0	0
	2,647	2,647
Other receivables	299	499
	4,692	3,146
Overdue receivables for which no write-downs have been made to cover losses:		
Due within 1-30 days	3,212	2,151
Due within 30-90 days	1.182	496
Due after 90 days	0	0
	4,394	2,647

NOTES

Carrying amount of receivables by currency:	2017/18	2016/17
DKK	0	0
USD	697	0
EUR	3,696	2,674
	4,394	2,674

17 CONTRACT WORK IN PROGRESS

DKK'000	2017/18	2016/17
Contract work in progress, selling price	60,084	60,414
Invoiced contract work in progress	-54,059	-54,293
	6,025	6,121
recognised as follows:		
Contract work in progress (assets)	6,125	6,538
Prepayments, customers (liability)	100	417
	6,025	6,121
Contract work in progress at cost	43,861	44,102

18 EQUITY

Capital management

The Company's formal external capital adequacy requirement is limited to the Company's share capital, which is significantly lower than the Company's equity. The Company regularly assesses the need for adjusting the capital structure so that it complies with the applicable rules and matches the business foundation and scope of activity.

The Company's solvency ratio stood at 50,7 at 30 June 2018 (30 June 2017: 43.9).

Share capital	2017/18	2016/17
Development in no. of shares (1,000)		
No. of shares, beginning of year	333,212	302,010
Issue of new shares	66,642	30,201
Exercise of warrants	5,000	1,000
No. of shares, end of year	404,854	333,212
Share capital, DKK'000	20,243	16,661

NOTES

The share capital is divided into 404.854.455 shares (2016/17: 333.212.000 shares) with a nominal value of DKK 0.05 each. The shares are fully paid up, and no shares carry any special rights. No shares are subject to restrictions on transferability or voting rights.

In October 2017, the share capital was increased by DKK 1.666.060 nominal value or 33,321,200 shares of DKK 0.153 each.

In December 2017, the share capital was increased by DKK 1,666,060 nominal value or 33,321,204 shares of DKK 0.141. Of the total capital increase of DKK 1,666,060, nominal 669,557 has been subscribed for by way of cash payment of the subscription price, while nominal DKK 996,504 has been subscribed for by way of conversion of debt.

In January 2018 the share capital was increased by DKK 250,000 nominal value or 5,000,000 shares of DKK 0,05 each in connection with the exercise of warrants.

Presently there are 55.800.000 outstanding warrants.

19 BOND LOANS

Out of total bond loans of DKK 6,5 million at 30 June 2018 DKK 2,5 million is related to a convertible bond loan facility, which Rovsing entered in March 2018.

The total facility amounts to tDKK 7,5 million and can be drawn in tranches of DKK 0,625 million per month and is running until 31 October 2019. During the period of 6 October 2018 and until 5 December 2019 the creditor may convert the bond loan to shares.

Rovsing has an option to repay the loan at a rate of 108 or to issue new shares. The conversion price is 90% of the volume weighted average price of the shares during five trading days prior to the conversion date.

20 OTHER PAYABLES

	2017/18	2016/2017
Staff costs	2,268	4,019
Loans, related parties	0	2,623
Other accrued expenses	736	1,359
	3,004	8,002

NOTES

21 PROVISIONS

	2017/18	2016/17
Provisions at 1 July 2017	250	298
Provisions made during the year	92	-48
Provisions at 30 June 2018	342	250
Which break down as follows:		
Non-current liabilities	0	0
Current liabilities	342	250
	342	250

The French authorities demand that the Company's share of the social costs be increased by EUR 70,000. The authorities find that the Company does not meet the requirements for standard exemption for certain social benefits. Management believes that the authorities have misunderstood the Company's obligations under the contract and the Company's activities. In 2013/14, the demand was considered null and void, but in 2014/15 the Company made a provision of DKK 250,000 as it intends to commence negotiations with the authorities, partly to avoid an expensive lawsuit, partly to avoid the case having any adverse consequences for existing customer relationships. In a court case in 2016, the court rejected the claim submitted by the French authorities. The Company awaits a final confirmation from the authorities that the claim has been waived – the Company expects a final ruling in November 2018. The provision of tDKK 21 in 2017/18 concerns a fine from Nasdaq-OMX for a late announcement to the market of a directed share issue in December 2017.

NOTES

22 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

The Company is exposed to a number of financial risks, the most important of which are foreign currency and interest rate risk, liquidity risk and credit risk.

The Company does not actively speculate in financial risk, and accordingly, the financial strategy aims exclusively to manage and mitigate financial risks that arise as a consequence of the Company's operations, investments and financing.

Foreign currency risk

Most of the Company's contracts are invoiced in EUR or USD. As the Danish krone is pegged to EUR, the Company's EUR risk is considered minimal. Risk attaching to USD is assessed in an ongoing process, as a result of which in 2017/18 the Company did not use financial instruments to hedge its foreign currency risk. The Company monitors developments in EUR/USD/DKK and regularly assesses whether to hedge its exposure to EUR and USD.

Foreign currency exposure:

	Nominal position	
	Cash and receivables	Financial liabilities
EUR/DKK	3.731	283
EUR/USD	706	0
	4.437	**283**

Interest rate risk

The Company had net payables to credit institutions of DKK 7.1 million at 30 June 2018. The debt carries a floating interest rate based on the money market rate. Interest rates paid in 2017/18 ranged from 4,2% -to 4,5 %. The Company had net payables to bond holders of DKK 4.0 million at 30 June 2018 with a fixed interest rate of 8%.

Based on recognised financial assets and liabilities at 30 June 2018, without considering repayments, loans raised and the like in 2017/18, a 1% increase in interest rates would raise the Company's expenses by DKK 0.1 million. A 1% decline in interest rates would result in a correspondingly lower interest expense.

The Company has not used financial instruments to hedge expected developments in interest rates.

Liquidity risk

Significant, unforeseen liquidity fluctuations are primarily associated with the commercial risks referred to in the section "Risk factors" and breaching of milestones in contracts. The Company aims to have sufficient cash resources to allow it to operate adequately in case of unforeseen fluctuations in liquidity. The Company regularly assesses its cash resources relative to budgets and forecasts for cash flows in future periods. The Company's liquidity reserve, consisting of cash and unutilised credit facilities, is modest relative to the expected cash flows in 2018/19. In 2018/19, the Company expects to continue to use export guarantees to fund certain projects. It should be noted that export guarantees are granted on a project by project basis and there can be no assurance that future projects may obtain export guarantee funding.

NOTES

Credit risk

As a result of the Company's operations and funding activities, the Company is exposed to credit risk. The Company's credit risks are related to trade receivables and cash. No credit risk is considered to exist in relation to cash as the counterparty is Jyske Bank. Payables to the counterparty exceed cash deposits with the counterparty.

Most of the Company's revenue derives from ESA space industry projects. ESA is the joint-European development organisation for various space programmes. ESA's 22-member states (including Denmark) together funds the activities of ESA. The credit risk associated with ESA is considered minimal. The remaining part of the Company's revenue derives from large, well-consolidated international companies, for which the credit risk is considered minimal.

The Company's financial assets liabilities fall due as follows:

2017/18	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total	Carrying amount
DKK'000					
Cash	143			1,43	143
Trade receivables	4,394			4,394	4,393
Other receivables (current)	505			505	505
Other receivables (non-current)		484		484	484
Total loans and receivables	**5,041**	**484**		**5,525**	**5,525**
Credit institutions, floating rate	-7,107			-7,107	-7,107
Bond loan		-4,000		-4,000	-4,000
Convertible loan		-2,500		-2,500	-2,500
Trade payables	-639			-639	-639
Other payables	-3,004			-3,004	-3,004
Financial liabilities measured at amortised cost	**-10,751**	**-6,500**		**-17,251**	**-17,251**

NOTES

2016/17 DKK'000	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total	Carrying amount
Cash	1,192			1,192	1,192
Trade receivables	2,647			2,647	2,647
Other receivables (current)	2,007			2,007	2,007
Other receivables (non-current)		206		206	206
Total loans and receivables	**5,846**	**206**		**6,052**	**6,052**
Credit institutions, floating rate	-11,855			-11,855	-11,855
Trade payables	-2,719			-2,719	-2,719
Other payables	-8,002			-8,002	-8,002
Financial liabilities measured at amortised cost	**-22,576**			**-22,576**	**-22,576**

23 CONTINGENT ASSETS AND LIABILITIES

The Company has made agreements on public research and development grants. Grants are disbursed either on the basis of costs actually incurred or when the Company delivers on agreed project milestones, which are approved by the granting authority. In two of the agreements, the Company has a repayment obligation if its actual project costs prove to be lower than estimated in the agreements. However, in such cases it is up to the granting authority to decide whether it wishes partial repayment of grants disbursed.

The Company has a co-funding obligation in the agreements to the effect that the Company must pay about 50% of the estimated costs. Costs for completing project deliveries, over and beyond the estimated costs in the agreements, must be borne by the Company.

24 COLLATERAL

A floating charge in the amount of DKK 9.25 million has been issued as collateral for credit facilities with a credit institution. The floating charge comprises a charge on goodwill and rights pursuant to the Danish Patents Act, the Danish Trademarks Act, the Danish Design Act, the Danish Utility Models Act, the Danish Registered Designs Act, the Danish Copyright Act and the Danish Act on Protection of the Topographies of Semiconductor Products. Furthermore, the floating charge comprises tools, inventories and unsecured claims arising from the sale of goods and services. The total carrying amount of the floating charge was DKK 25.2 million at 30 June 2018.

NOTES

25 OPERATING RENTAL AND LEASE COMMITMENTS

The Company leases property and tools and equipment under operating leases. The lease period for tools is typically between 3 and 5 years with a renewal option on expiry. No conditional lease payments are payable under the leases.

In 2017/18, DKK 1.3 million (2016/17: DKK 1.4 million) was recognised in the income statement regarding operating leases.

Rent obligations	2017/18	2016/17
DKK'000		
Due within 1 year	915	1,115
Due between 1 and 5 years	1,906	2,970
Due after 5 years	0	0
	2,821	4,085

Other commitments	2017/18	2016/17
DKK'000		
Due within 1 year	170	210
Due between 1 and 5 years	551	557
Due after 5 years	0	0
	721	767

26 NON-CASH TRANSACTIONS

DKK'000	2017/18	2016/17
Provisions	92	0
Financial items	12	0
Share-based payment	95	379
	199	379

27 WORKING CAPITAL CHANGES

	2017/18	2016/17
Receivables	733	-993
Current liabilities	-7,395	-5,242
Development grants offset against cost	0	0
	-6,662	-6,235

28 RELATED PARTY TRANSACTIONS

The Company has no related parties with a controlling interest.

The Company has registered the following shareholders as holding 5% or more of the share capital:

- 8,91 % Medium Invest
- 6,31 % CAPTEN A/S

The Company's related parties also comprise the members of the Board of Directors and Executive Management as well as these persons' family members. Further, related parties comprise companies in which the above-mentioned persons have significant interests.

BOARD OF DIRECTORS

MICHAEL HOVE (BORN 1971)

Elected to the Board of Directors in October 2017. Took over the chairmanship in January 2018.

Position: Founder and owner of SalesPartners A/S, SalesPartners TM and of MH Investment ApS.

Educational background from Copenhagen Business School as economist.

Main directorships:

- Chairman of the board of directors of SalesPartners Group ApS
- Chairman of the board of directors of SalesPartners TM A/S
- Chairman of the board of directors of Antique 89 A/S
- Vice Chairman of the board of directors of Glunz & Jensen A/S
- Member of the board of directors of Leadmanager ApS

Shareholding at 30 June 2017: 0 shares.

Shareholding at 30 June 2018: 11.566.900 shares.

Number of warrants at 30 June 2018: 22.701.734.

JØRGEN HAUGLUND (BORN 1960)

Elected to the Board of Directors in 2015. Took over the chairmanship in April 2017 and from January 2018 continued as ordinary member of the Board.

Position: Managing director of Hacon ApS.

Jørgen Hauglund has many years' business experience from a large number of international companies and industries and has in-depth knowledge of strategic development and accounting and financing issues.

Main directorships:

- Member of board of directors of Alchemist ApS
- Member of the board of directors of the association Danish F1 Grand Prix
- Member of the board of directors of The Donut Shop

Shareholding at 30 June 2017: 0 shares.

Shareholding at 30 June 2018: 1.929.076 shares.

Number of warrants at 30 June 2018: 6.599.291.

FLEMMING HYNKEMEJER (BORN 1966)

Elected to the Board of Directors in October 2017.

Educational background: B. Sc. E.E and MBA.

Flemming has had a long-time career in among others Bang & Olufsen A/S, TDC A/S, CEO of Dansk Kabel TV A/S, Triax A/S and RTX A/S.

Main directorships:

- Chairman of the board of directors of EC Power A/S
- Member of the board of directors of Dali A/S

Shareholding at 30 June 2017: 0 shares.

Shareholding at 30 June 2018: 2.836.879 shares.

Number of warrants at 30 June 2018: 8.528.369.

ULRICH BECK (BORN 1964)

Elected to the Board of Directors in October 2017.

Position: Airbus Vice President Public Procurement Policy, Airbus Defense and Space

Ulrich has had more than 25 years of experience and expertise in Aerospace, Defense and Space Industry, in Senior Management positions as for Strategy, international Sales and Business Development, International Compliance Officer, transnational Merger Integration or as Chief Financial and Information Officer (as in Spain for development and industrial set up of Airbus Helicopters). Various Financial Management positions at operations, engineering program and corporate level. M&A, Transaction Management and Industrial Strategy projects.

Main directorships:

- Member of the board of directors of Access e.V and Acess GmbHEC Power A/S, Institute for Material Sciences and Technology (associated with the RWTH Technical University of Aachen)
- Member of DGLR German Society for Aerospace and Space, AIEE
- Certified Board Member and Financial Expert (by Deutsche Börse AG), Member of related associations

Shareholding at 30 June 2017: 0 shares.

Shareholding at 30 June 2018: 2.482.270 shares.

Number of warrants at 30 June 2018: 7.774.823.

DEFINITION OF RATIOS

Ratio	Explanation
No. of shares, end of period	The total number of outstanding shares at any given time, exclusive of the Company's treasury shares.
Cash flow per share (DKK)	Cash flows from operating activities divided by average number of shares.
EBITDA margin (profit margin before depreciation and amortisation) (%)	Earnings before interest, tax depreciation and amortisation as a percentage of revenue.
EBIT margin (profit margin) (%)	Earnings before interest and tax as a percentage of revenue.
Equity ratio	Equity, end of year, as a percentage of total assets.
Return on equity (%)	Profit/loss for the year after tax divided by average equity.
Average no. of outstanding shares (1,000)	Average number of outstanding shares at any given time.
Net asset value per share (DKK)	Equity at year-end divided by number of shares at year-end.
Payout ratio (%)	Total dividends distributed divided by profit/loss for the year.
Earnings per share (DKK)	The Company's share of profit/loss for the year divided by average no. of shares.
Solvency ratio (%)	Traditional way of expressing the Company's financial strength.
Dividend per share of DKK 0.05	Dividend payment in Danish kroner per share.

GLOSSARY

Term	Explanation
Application	Specific use of a product
Airbus Defense & Space	French, German, British and Spanish company operating in the defense, space and telecommunications industry
Check-out system	System for testing and controlling a satellite or instrument
DSTE	Digital Simulation & Test Equipment (the product portfolio acquired by SSBV)
ESA	The European Space Agency
ESRO (European Space Research Organisation)	Organisation preceding ESA
ESTEC	European Space Research and Technology Centre
Gaia	Satellite project under ESA
Galileo	European satellite navigation system similar to the GPS system in the USA
Industrial collaboration agreement	Agreement signed by non-Danish suppliers of defense material to Denmark with the Danish Enterprise and Construction Agency to ensure that the supplier undertakes in return to acquire defense material manufactured by Danish companies.
ISVV (Independent Software Verification & Validation)	Independent verification and validation of software
Kick-Off	Kick-Off meeting to start up a project
Command control system	Guidance system
Critical software	Software, the failure or breakdown of which may cause loss of life, loss of spacecraft or loss of performance of the planned task, or software for which error rectification may prove very costly.
Lockheed Martin	US company operating in the defense and space industry
Counter-purchase obligation	Obligation on a non-Danish supplier of defense material to the Danish Armed Forces to buy defense-related equipment from Danish companies.
Outsourcing	The outsourcing of part of or a whole assignment with a subcontractor
Prime Contractor	The company with the main responsibility for carrying out a major ESA project
Project manager	Person in charge of carrying out a project
Second Generation Location, Determination, Guidance and Navigation System	Electronic unit providing localisation and navigation information
SSBV	Satellite Holdings BV
Thales Alenia Space	European space and defense industry company
EGSE	Electrical Ground Support Equipment
RF Suitcases	Radio Frequently test equipment for testing satellite communication links
Power SCOE	Special Checkout Equipment for testing satellite power systems
SAS	Solar Array Simulator
SLP	Second Level Protection
MetOp-SG	Meteorological Operational Satellite - Second Generation

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