GomSpace A/S

CVR No 30 89 98 49

Annual Report

January 1, 2017

-

December 31, 2017

The Annual Report was presented and adopted at the Annual General Meeting of the Company:

Chairman

Name Tanja Frifeldt Date: 26 / 4 2018

Home Address: Langagervej 6, DK-9220 Aalborg East
CVR No.: 30 89 98 49

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Company information

Company

GomSpace A/S
Langagervej 6
DK-9220 Aalborg
Denmark

CVR No.	30 89 98 49
Municipality of reg. office	Aalborg
Telephone	+45 71 741 741
Website	www.gomspace.com
E-mail	info@gomspace.com

Board of Directors

Jukka Pekka Pertola, Chairman
Niels Jesper Jespersen Jensen
Anna Hilda Elisabet Rathsman
Carl Erik Jørgensen
Steen Lorenz Johan Hansen

Executive Board

Niels Buus

Auditors

Ernst & Young Godkendt Revisionspartnerselskab

Key figures

	2017 T.DKK	2016 T.DKK	2015 T.DKK	2014 T.DKK	2013 T.DKK
5 years' key figures					
Net revenue	74.146	44.278	27.174	21.836	8.379
Operating profit (loss)	-44.160	-1.210	-1.879	1.445	208
Net financial items	-4.237	-896	-611	-146	-172
Profit (loss) before tax	-48.397	-2.106	-2.490	1.299	36
Profit (loss) for the year	-38.827	-1.668	-1.889	1.004	14
Investments in PPE	5.868	4.660	457	433	149
Total assets	149.893	53.313	24.521	14.907	8.653
Equity	44.750	27.577	11.245	6.042	5.038
Total liabilities	105.143	25.736	13.276	8.865	3.615
5 years' ratios					
Operating margin	-60%	-3%	-7%	7%	2%
Net margin	-52%	-4%	-7%	5%	0%
Return on invested capital (%)	-26%	-3%	-8%	7%	0%
Return on equity (%)	-107%	-9%	-22%	18%	0%
Equity ratio (%)	30%	52%	46%	41%	58%
Earnings per share, basic	-8,1	-0,8	-1,9	1,7	0,0

Key figures definitions

Operating margin (operating profit * 100 / net revenue)
Net margin (profit for the year * 100/ net revenue)
Return on invested capital (profit for the year * 100 / total assets)
Return on equity (profit for the year * 100 / average equity)
Equity ratio (equity * 100 / total assets)
Earning per share (profit for the year / number of shares)

Management's statement

The Executive Board and Board of Directors have today discussed and approved the Annual Report of GomSpace A/S for the financial year 1 January - 31 December 2017.

The Annual Report is prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position at 31 December 2017 of the Company and of the results of the Company operations and cash flows for the financial year 1 January - 31 December 2017, and state the significant risks and uncertainties facing the Company.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial postition.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Aalborg, 28 March 2018

Executive Board

Niels Buus
CEO

Board of Directors

Jukka Pekka Pertola
Chairman

Niels Jesper Jespersen Jensen

Anna Hilda Elisabet Rathsman

Carl Erik Jørgensen

Steen Lorenz Johan Hansen

Independent auditor's report

To the shareholders of GomSpace A/S

Opinion

We have audited the financial statements of GomSpace A/S for the financial year 1 January – 31 December 2017, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Statement on Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that the 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 misstatements of the 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 International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of 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 audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 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 the financial statements.

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

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

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

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

Independent auditor's report

▶ 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 note 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.

Aalborg, 28 March 2018
Ernst & Young
Godkendt Revisionspartnerselskab
CVR No. 30 70 02 28

Hans B. Vistisen

Hans B. Vistisen
State Authorised Public Accountant
MNE no.: mne23254

Management's review

GomSpace in brief

The overall purpose of GomSpace is to manufacture nanosatellites as well as components and turn key solutions for satellites.

Company operations

Corporate activities

During the year, the parent company GomSpace Group AB established three subsidiaries in Singapore, USA and Luxembourg, respectively. This is part of the group's business plan and aimed at capitalizing on market growth. The subsidiary in Luxembourg was established to add a service element into the offering.

Company conversion

In 2017, GomSpace A/S was converted from an ApS into an A/S.

Capital increase in GomSpace Group AB

A capital incrase was completed by the parent company ComSpace Group AB in 2017, we refer to "Statement of changes in equity" and note 20.

Market development

Nano- and micro-satellites are having a disruptive effect on the markets as the technology brings competitive advantages in terms of low cost and high flexibility to address many business areas, incl. areas that were previously considered niche areas and areas which did not previously justify an investment in space-based infrastructure.

2017 saw a new record of more than 300 satellites smaller than 50kg launched; this is compared to the 100 satellites that were launched in 2016. Of last year's satellites 75% now target commercial applications in contrast to earlier years where nanosatellite missions have been more focused on education and basic technology development.

A significant portion of the satellites relates to Planets Earth Observation constellation, but communication services is growing very rapidly with 22% of last year's satellites vs. 4% historically.

Generally, when measuring nanosatellites by launch mass the mass is getting slightly larger which is in line with GomSpace's development efforts as operational requirements increase the need for power generation and design margins.

More than 6,200 small satellites are expected to be launched over the next 10 years, driven by anticipated roll-out of multiple constellations – mainly for commercial operators – which is expected to account for more than 70 percent of that total*. The market is expected to grow at a Compound Annual Growth Rate (CAGR)

As a pioneer and innovator in the market, GomSpace, through its own actions, is a significant force in driving the growth in the market as our investments in satellite platform technology, network technology and payload technology enable new opportunities for our customers. This has for instance been demonstrated in our activities related to space-based aircraft tracking.

Management's review

The market growth is expected to be driven by earth observation and radio applications to customers in the Commercial, Civil (science and non-profit service) and Defence areas **.

We expect GomSpace's growth to remain significantly above the market CAGR due to:
· Our focus on radio technology-related missions which in general scale to constellations with more satellites than other application areas.
· Our market traction with contracts to leading constellations customers, incl. Sky and Space Global Ltd., AISTECH as well as Aerial and Maritime Ltd.
· Our investments in increasing our international activities in growth markets, incl. establishment in the US (51% market, 24% CAGR **) and Singapore (Asia: 15% of market, 22% CAGR **).
· Our continued investments in new technology and products to demonstrate and enable new applications.

Further, our announcement to establish satellite operations services out of Luxembourg over time will extend the scope of our offerings to address a larger part of the value chain and through new products it will ensure that the scalability of satellite operations will not become a bottleneck for the market development.

Product development
Many new applications and opportunities for nanosatellites will be developed in the coming years, both due to our investments (see Product Development section) and the estimated over 200 academic and commercial organizations world-wide doing research in this area.

During 2017, we have progressed on developing competitive nanosatellite platforms as well as further developing engineering competencies and industrial manufacturing capabilities for satellites.

We have developed platforms with deployable tracking solar panels, a high-capability electronic power-system, improved reaction-wheels and a state-of-the-art gas propulsion system. The 8U platform is fully modular and in line with our continued effort to increase the capabilities of the satellites to accommodate a broad range of customer needs.

Regarding the payload, we are improving the onboard processing capability using microcontrollers having the highest ratio of performance relative to power consumption. Focus in our product platform development is to be responsive to customer and market requirements. This is driven by the need to use satellites as routing devices in satellite constellations as well as need for future extraction and compression of surveillance data.

To increase the capabilities of the satellites, we are expanding our portfolio of radio solutions to other than VHF, UHF and S band frequencies. We initiated the development of radio products for higher frequencies thus increasing data bandwidth.

* Satellitetoday: http:///www.satellitetoday.com/newspace/2017/08/14/total-smallsat-market-reach-30-billion-10-years/
** MarketsAndMarkets:: http:///www.marketsandmarkets.com/Market-Reports/nanosatellite-and-microsatellite-market-130496085.html"

Management's review

For our nanosatellite products to meet the needs of our professional users, we are carrying out a number of design and process optimization programs. These activities are supporting a continued improvement in reliability, availability and operational lifetime of our solutions.

For 2018, the focus in R&D and product development will be to execute on the activities above. We will further optimize our modular hardware and software product platforms to meet individual customer needs. We will continue to make partnerships on technology development with universities and technology institutes to leverage our own competencies and funding to speed up development.

Financial highlights
Net revenue was T.DKK 74,146 in 2017, compared to T.DKK 44,278 in 2016. The Company realized a net loss of T.DKK 38,827 compared to a net loss of T.DKK 1,668 in 2016.

Uncertainty relating to recognition and measurement
Recognition and measurement regarding the carrying amount of some assets and liabilities require judgments, estimates and assumptions concerning future events, also see note 2.

Unusual events
The financial position at 31 December 2017 of the Company and the results of the activities and cash flows of the Company for the financial year for 2017 have not been affected by any unusual events.

Subsequent events
Subsequent to the balance sheet date, T.SEK 125,000 were raised through a directed new issue of shares on 8 March 2018. The new share issue was directed to a limited number of Swedish and international institutional investors and the entire amount of T.SEK 125,000 has been paid. Apart from this, no material events have occurred subsequent to the balance sheet date.

Business development
The satellite business has also developed during the year, at the beginning it was characterized by building of prototype satellites and sending these into space whereas the business has now moved towards constellations of many satellites. In February 2017, we closed the world's largest nanosatellite order. This order was for a constellation of many nanosatellites for narrow band communication for the equatorial region and the value of this order is between EUR 35.0 and 55.0 million, an amendment to the contract was signed at a value of EUR 13-15 million.

During the year the Company experienced a rapid growth in staff and there are currently 161 employees. As a consequence, the Company moved to new premises during the summer of 2017.

Technology, knowledge, research and development
GomSpace has improved its technical competences and today the Company can claim to be the most advanced in the business as regards radio technology.

Management's review

GomSpace has expanded its product range, whereby the Company has highly professional solutions to all the elements that constitute a nanosatellite.

Last but not least, GomSpace has introduced processes and procedures in the organization, and the Company can produce nanosatellite subsystems and complete satellites of high quality.

GomSpace has a flawless flight heritage which is the key element for building the necessary trust among its customers.

Corporate Social Responsibility

GomSpace acknowledges the responsibility of supporting human rights and GomSpace does therefore not violate the declared human rights. GomSpace upholds the freedom of association and removes all forms of discrimination within the workspace, which thereby underlines the fact that GomSpace does not hesitate to hire employees from different nationalities. In the employee handbook, GomSpace emphasizes on the support of a healthy workspace for each of the employees. Furthermore, GomSpace is continuously accepting CSR terms in customer and development contracts. In addition to this, GomSpace's financial institute demands good CSR behaviour. As regards the environment, GomSpace will take precaution when it comes to environmental challenges that can occur along the way.

Lastly, GomSpace acknowledges the fact that the Company does not have its own CSR policy at this moment, GomSpace is however in the process of developing its own CSR policy.

Share classes and shareholders

The company's share capital is not comprised in share classes. No shares carry any special rights. The share capital is owned by GomSpace Group AB.

Income statement

	Notes	2017 T.DKK	2016 T.DKK
Net revenue	3	74.146	44.278
Cost of goods sold	4,5,6	-53.813	-19.849
Gross profit		**20.333**	**24.429**
Sales and distribution costs	4,5,6	-24.717	-11.791
Development costs	4,5,6	-22.689	-6.122
Administrative costs	4,5,6	-33.142	-11.152
Other operating income	7	16.055	3.426
Operating loss		**-44.160**	**-1.210**
Finance income	8	2.606	397
Finance expenses	9	-6.843	-1.293
Loss before income tax		**-48.397**	**-2.106**
Tax	10	9.570	438
Loss for the year		**-38.827**	**-1.668**
Loss is attributable to			
Owners of GomSpace A/S		-38.827	-1.668
		-38.827	**-1.668**

Statement of comprehensive income

Loss for the period	-38.827	-1.668
Other comprehensive income for the year, net of tax	**0**	**0**
Total comprehensive income for the year	**-38.827**	**-1.668**
Total comprehensive income for the year is attributable to:		
Owners of GomSpace A/S	-38.827	-1.668
	-38.827	**-1.668**

Statement of financial position

	Notes	2017 T.DKK	2016 T.DKK
Completed development projects	11	4.569	4.688
In-process development projects	11	19.624	4.816
Other intangible assets, including software	11	12.568	812
Intangible assets		**36.761**	**10.316**
Plant and equipment	12	8.761	3.085
Leasehold improvements	12	6.868	1.535
Property, plant and equipment		**15.629**	**4.620**
Deferred tax	13	4.901	0
Other non-current assets	14	2.490	0
Non-current assets		**7.391**	**0**
Total non-current assets		**59.781**	**14.936**
Inventories	15	6.541	3.163
Inventories		**6.541**	**3.163**
Contract work	16	12.638	17.708
Trade receivables	17	21.904	10.099
Tax receivable	18	3.554	1.857
Prepayments	19	1.018	440
Other receivables		4.189	2.632
Receivables		**43.303**	**32.736**
Marketable securities		**7**	**8**
Cash and cash equivalents		**40.261**	**2.470**
Total current assets		**90.112**	**38.377**
Total assets		**149.893**	**53.313**

Statement of financial position

	Notes	2017 T.DKK	2016 T.DKK
Share capital	20	4.793	1.993
Capital reserve for development costs		15.246	2.693
Retained earnings		24.711	22.891
Total equity		**44.750**	**27.577**
Credit institutions	24	22.073	4.802
Deferred tax	13	0	1.116
Total non-current liabilities		**22.073**	**5.918**
Current portion of non-current liabilities	24	3.624	1.192
Credit institutions	24	0	4.470
Trade payables and other payables	24	12.971	5.684
Trade payables, intercompany		12.598	0
Contract work	16	27.870	3.247
Prepayments	22	4.952	1.264
Other liabilities	21,24	21.055	3.961
Total current liabilities		**83.070**	**19.818**
Total liabilities		**105.143**	**25.736**
Total equity and liabilities		**149.893**	**53.313**

Statement of changes in equity

	Share capital T.DKK	Share premium T.DKK	Capital reserve for development costs T.DKK	Retained earnings T.DKK	Total equity T.DKK
Equity 01.01.2016	993	12.815	0	-2.563	11.245
Profit (loss) for the year	0	0	0	-1.668	-1.668
Development costs and amortization 2016	0	0	3.591	-3.591	0
Tax hereof	0	0	-898	898	0
Total comprehensive income for the year	0	0	2.693	-4.361	-1.668
Transactions with owners in their capacity as owners					
Increase in share capital	1.000	17.000	0	0	18.000
Transfer		-29.815		29.815	0
Equity 31.12.2016	**1.993**	**0**	**2.693**	**22.891**	**27.577**
Equity 01.01.2017	1.993	0	2.693	22.891	27.577
Profit (loss) for the year	0	0	0	-38.827	-38.827
Development costs and amortization 2017	0	0	16.737	-16.737	0
Tax hereof	0	0	-4.184	4.184	0
Total comprehensive income for the year	0	0	12.553	-51.380	-38.827
Transactions with owners in their capacity as owners					
Increase in share capital	2.800	53.200	0	0	56.000
Transfer	0	-53.200	0	53.200	0
Share-based payments (capital contribution)*	0	0	0	4.743	4.743
Return of capital contribution*	0	0	0	-4.743	-4.743
Total transactioins with owners in their capacity as owners	2.800	0	0	53.200	56.000
Equity 31.12.2017	**4.793**	**0**	**15.246**	**24.711**	**44.750**

* See a description of the accounting policies related to the treatment of share-based payment transactions in note 1 and note 5.

Cash flow statement

	Notes	2017 T.DKK	2016 T.DKK
Profit (loss) before tax		-48.397	-2.106
Reversal of financial items		4.237	896
Depreciation and amortizations		5.427	1.884
Non-cash items		53	0
Changes in net working capital	27	45.895	-6.972
Cash flows from primary operating activities		7.215	-6.298
Received interest		2.606	397
Paid interest		-6.151	-1.278
Tax received		1.857	0
Tax paid		0	0
Cash flow from operating activities		**5.527**	**-7.179**
Investments in intangible assets		-30.611	-4.715
Government grants		5.168	0
Investments in property, plant and equipment		-13.865	-4.660
Rent deposit		-2.490	0
Sales of non-current assets		31	4
Cash flow from investing activities		**-41.767**	**-9.371**
Borrowings	26	21.000	3.000
Repayment of borrowings	26	-5.767	-1.333
Borrowings from parent company	26	59.490	16.376
Cash flow from financing activities		**74.723**	**18.043**
Net cash flow for the year		**38.483**	**1.493**
Cash and cash equivalents, beginning of the year		2.470	995
Unrealized exchange rate gains and losses on cash		-692	-18
Cash and cash equivalents, end of the year		**40.261**	**2.470**

Reconciliation of cash and cash equivalents

Cash and cash equivalents according to the balance sheet		40.261	2.470
Cash and cash equivalents according to the cash flow statement		**40.261**	**2.470**

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Notes

1. Accounting policies

GomSpace A/S' financial statements for 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU as well as additional Danish disclosure requirements applying to entities of reporting class B.

Further, the financial statements are prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB).

The company is included in the consolidated financial statements of GomSpace Group AB. The address of GomSpace Group AB is Stureplan 4 C, Stockholm, organisation number 559026-1888.

Basis of preparation

The financial statements have been presented in Danish kroner, rounded to the nearest DKK thousand.

The accounting policies set out below have been applied consistently in respect of the financial year and the comparative figures. For standards implemented prospectively, comparative figures are not restated.

Change in accounting policies

In 2017, GomSpace A/S has implemented the standards and interpretations that came into force in the EU for 2017. None of these have affected recognition, measurement or classification in 2017, and thereby also not result and diluted earnings per share (EPS) and are not expected to affect in future.

Foreign currency translation

Functional currency and presentation currency

The functional currency of the Company is Danish kroner (DKK) and the Financial Statements are likewise presented in Danish kroner (DKK).

Transactions and balance-sheet items

Transactions in foreign currencies are translated into the functional currency at the exchange rates applicable on the transaction date. Exchange gains and losses arising in the payment of such transactions and in the translation of monetary assets and liabilities in foreign currencies at the rate prevailing on the reporting date are recognised in the income statement under the item Net financials.

Notes

1. Accounting policies (continued)

Income statement

Revenue

Revenue includes sales of satellite solutions, platforms, payloads and subsystems.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements who has pricing latitude and who is also exposed to inventory and credit risks.

Contract work that is subject to a high degree of individual adaptation is recognised as revenue by reference to the percentage-of-completion method, meaning that revenue corresponds to the selling price of work performed during the year. When the outcome of contract work cannot be estimated reliably, revenue is recognised at the costs incurred so far when they are likely to be recovered. When it is probable that the total contract costs will exceed the total contract revenue, the anticipated loss on the contract is immediately recognised as an expense and a provision.

Cost of goods sold

Cost of goods sold comprise the cost of products and projects sold. Cost comprises the purchase price of raw materials, consumables and goods for resale, direct labour costs and a share of indirect production costs, including costs of operation and depreciation of production facilities as well as operation, administration and management of production sites.

Sales and distribution costs

Costs incurred in distributing goods sold during the year and in conducting sales campaigns, etc. during the year are recognised as distribution costs. Also, costs relating to sales staff, advertising, exhibitions as well as depreciation and impairment losses are recognised as distribution costs.

Development costs

Development costs include expenses relating to development activities not meeting the capitalisation criteria. Such expenses include staff costs, cost of material and depreciation and impairment losses.

Administrative costs

Administrative expenses comprise expenses incurred during the year for management and administration, including expenses relating to administrative staff, office premises and office expenses, and depreciation and impairment losses. Also included in this item are provisions for bad debts.

Share-based payments

Employees (including senior executives) of GomSpace A/S receive remuneration in the form of share-based payments, whereby employees render services as consideration for warrants granted by GomSpace Group AB. As GomSpace A/S does not have responsibility for settling the transaction, the arrangement is accounted for as an equity-settled share-based payment transaction.

Notes

1. Accounting policies (continued)

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using the Black-Scholes option pricing valuation model, further details of which are given in Note 5. The cost is recognised in employee benefits expense together with a corresponding increase in equity (capital contribution received from GomSpace Group AB) over the period in which the service conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

A management recharge, based upon the grant date fair value of the warrants, is accrued over the vesting period of the share-based payment. As the recharge amount is directly based on the value of the underlying share-based payment, the recharge to GomSpace Group AB is charged directly to equity, provided it represents a return of the capital contribution received up to the amount of the contribution and a distribution thereafter.

Employee benefits

Liabilities for wages and salaries are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

Variable salary
Provisions for variable salary are expensed on an ongoing basis in accordance with the economic substance of current agreements.

Pension obligations
The company only has defined contribution pension plans. The contributions are recognized as employee benefit expenses when they are due. The company has no further payment obligations once the contributions have been paid.

Termination benefits
A provision for costs in connection with termination of personnel is recognized only if the company is obligated to end employment before the normal retirement date or when benefits are provided as an incentive to encourage voluntary termination. Estimated termination benefits are recognized as a provision when a detailed plan for the measure is presented.

Other operating income

Other operating income comprise income that is not related to the principal activities. This includes management fee, rent as well as gains and losses on the disposal of intangible assets and property, plant and equipment as well as other income of a secondary nature in relation to the main activities of the Company.

Financial income and expenses

Financial income and expenses comprise interest receivable and interest payable, surcharges and refunds under Denmark's on-account tax scheme, and value adjustments of financial assets and items denominated in a foreign currency.

Notes

1. Accounting policies (continued)

Income tax and deferred tax

Tax for the year comprises the year's current tax charge and deferred tax adjustments. The tax expense is recognised in profit or loss, other comprehensive income or directly in equity.

Current tax payable and receivable is recognised in the statement of financial position as tax computed on the taxable income for the year, adjusted for tax on prior year taxable income and tax paid on account.

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

Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carry-forwards, are recognised under other non-current assets at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities.

Deferred tax assets are subject to annual impairment tests and are recognised only in so far as it is probable that the assets will be utilised.

Deferred tax assets and liabilities are offset if the Company has a legally enforceable right to set off current tax liabilities and tax assets or intends either to settle current tax liabilities and tax assets on a net basis or to realise the assets and settle the liabilities simultaneously.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the comprehensive income for the year.

Statement of financial position

Intangible assets

Costs associated with maintaining software and products are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique development projects controlled by the company are recognised as intangible assets when the following criteria are met:
- it is technically feasible to complete the development project so that it will be available for use
- management intends to complete the development project and use or sell it
- there is an ability to use or sell the development project
- it can be demonstrated how the development project will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the development project are available, and
- the expenditure attributable to the development project during its development can be reliably measured.

Notes

1. Accounting policies (continued)

Directly attributable costs that are capitalised as part of the development project include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Amortization is based on the straight-line method over the expected useful lives of the assets:
- Development projects: 5 years
- Other intangible assets: 3-5 years

Amortization of a development project begins when the development project is at a stage where its commercial potential can be utilized in the manner intended by Management.

Intangible assets not yet available for use are not subject to amortization but are tested annually for impairment, irrespective of whether there is any indication that they may be impaired.

Plant and equipment

Plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment charges. Plant and equipment in progress are measured at cost. Cost comprises expenses for materials, other expenses directly related to making the asset ready for use, and reestablishment expenses, provided that a corresponding provision is made at the same time.

The useful lives of the individual groups of assets are estimated as follows:
- Plant and equipment: 2 - 5 years

Depreciation is based on a straight-line basis.

Gains and losses on the disposal of plant and equipment are recognized in the income statement under other operating income and other operating expenses.

Impairment testing of non-current assets

The carrying amount of non-current assets are tested annually for indicators of impairment. When there is an indication that assets may be impaired, the recoverable amount of the asset is determined. The recoverable amount is the higher of an asset’s fair value less expected costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset or the cash-generating unit to which the asset belongs. An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit, respectively, exceeds the recoverable amount of the asset or the cash-generating unit. The impairment loss is recognised in the income statement.

Notes

1. Accounting policies (continued)

Government grants

Government grants comprise grants for investments, development projects, etc. Grants are recognized when there is reasonable certainty that they will be received. Grants for investments and capitalized development projects are set off against the cost of the assets to which the grants relate. Other grants are recognized in development costs in the income statement to offset the expenses for which they compensate.

Leases

For financial reporting purposes, lease liabilities are classified as finance lease liabilities and operating lease liabilities.

A finance lease is classified as a lease which in all material respect transfers the risk and benefits associated with ownership of the leased asset to the lessee. All other leases are classified as operating leases.

The accounting treatment of assets held under finance leases and lease liabilities is described under plant and equipment and financial liabilities, respectively.

Operating lease payments are recognised in the income statement on a straight-line basis over the lease term.

Assets held under operating leases are recognised, measured and presented in the statement of financial position as the company's other, similar assets. Lease income is recognised in the income statement on a straight-line basis over the lease term.

Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method.

The cost of goods for resale and raw materials and consumables comprises purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising costs incurred to bring the product to the current completion rate and location. Costs include the cost of raw materials, consumables, direct wages and salaries, and indirect production overheads. Indirect production overheads comprise indirect materials, wages and salaries, maintenance and depreciation of production machinery and equipment, as well as production administration and management.

Trade receivables

Receivables are initially recognized at fair value adjusted for any transaction costs. Subsequently, receivables are measured at amortized cost less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable taking into consideration the period overdue and the expected likelihood of receiving payment.

Notes

1. Accounting policies (continued)

Contract work

Contract work is measured at the selling price of the work performed less progress billings and anticipated losses. Contract work entails a significant degree of design customisation of produced goods. Moreover, before any work is commenced, a binding agreement must have been entered into which will imply a penalty or damages on subsequent termination of the agreement.

The selling price is measured by reference to the percentage of completion at the end of the reporting period and the total expected income from the contract. The percentage of completion is determined on the basis of an assessment of the work performed, which is usually measured as the proportion of contract costs incurred for work performed to date relative to the total estimated contract costs.

When it is probable that the total contract costs will exceed the total contract revenue, the anticipated loss on the contract is immediately recognised as an expense and a provision.

When income and expenses on contract work cannot be determined reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

Where the selling price of work performed exceeds progress billings on contract work and anticipated losses, the excess is recognised under receivables. If progress billings and anticipated losses exceed the selling price of contract work, the deficit is recognised under liabilities.

Prepayments from customers are recognised under liabilities.

Selling costs and expenses incurred in securing contracts are recognised in the income statement as incurred.

Prepayments under assets

Prepayments which are recognised under assets include costs incurred in respect of subsequent financial years and primarily relate to prepaid expenses.

Reserve for capitalised development projects

GomSpace A/S has established a non-distributable reserve in equity regarding development projects capitalised in 2016 and later. This reserve will be reversed as the development projects have effect on the income statement. The amount is presented net of deferred tax.

Provisions

Provisions are recognized when, as a consequence of an event occurring on or before the balance sheet date, the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation. The obligation is measured on the basis of Management’s best estimate of the discounted amount at which the obligation is expected to be met.

Provisions are recognized regarding loss-making contracts when the expected advantages for the Company from a contract is less than the inevitable expenses according to the contract.

Notes

1. Accounting policies (continued)

Financial assets and liabilities
Cash and cash equivalents comprise cash balances and unrestricted deposits with banks.

Marketable securities recognized as current assets are measured at fair value on the balance sheet date. Changes to fair value is recognized in the income statement.

Financial liabilities are initially measured at fair value less transaction costs incurred. Subsequently, the loans are measured at amortized cost. Amortized cost is calculated as original cost less instalments plus/less the accumulated amortization of the difference between cost and nominal value. Losses and gains on loans are thus allocated over the term so that the effective interest rate is recognized in the income statement over the loan period. Financial liabilities are derecognized when settled.

Prepayments under liability
Prepayments which are recognised under liabilities include payments received in respect of income in subsequent financial years and primarily relate to received government grants.

Cash flow statement

The cash flow statement has been prepared under the indirect method and shows the Company's cash flows from operating, investing and financing activities for the year.

Cash flows from operating activities comprise profit or loss before tax adjusted for non-cash operating items, changes in working capital, financial items received and paid as well as income tax paid.

Cash flows from investing activities comprise divestment of companies and activities, as well as investment, development, sale and improvements of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise capital increases and costs incidental thereto as well as the arrangement of loans, the repayment of interest-bearing debt, shares and the payment of dividend to the Company's

Cash and cash equivalents in the cash flow statement comprise cash balances and unrestricted deposits with banks.

Notes

2. Significant accounting estimates and judgments

In preparing the Financial Statements, Management makes various accounting estimates and assumptions which form the basis of presentation, recognition and measurement of the Company's assets and liabilities. The most significant accounting estimates and judgments are presented below.

In applying the Company's accounting policies, Management makes judgments which may significantly influence the amounts recognized in the Financial Statements. Determining the carrying amount of some assets and liabilities requires judgments, estimates and assumptions concerning future events.

The judgments, estimates and assumptions made are based on historical experience and other factors that Management considers to be reliable, but which by their very nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise. The most critical judgments, estimates and assumptions for the individual items are described below.

The Company is also subject to risks and uncertainties that may lead to actual results differing from these estimates, both positively and negatively.

Development projects

For development projects in progress an impairment test is performed annually. The impairment test is performed on the basis of various factors, including future expected use of the outcome of the project, the fair value of the estimated future earnings or savings, interest rates and risks.

For development projects in progress, Management estimates on an ongoing basis whether each project is likely to generate future economic benefits for the Company in order to qualify for recognition. The development projects are evaluated on technical as well as commercial criteria. The carrying amount of development projects in progress is disclosed in note 11.

Contract work

Recognized revenue on contract work is based on percentage of completion which is based on cost incurred on the contract as a percentage of the total cost estimated to complete the project. Management estimates, on an ongoing basis, the cost required to complete the projects and whether the costs can be recovered through the contract. The carrying amount of contract work in progress is disclosed in note 16.

Deferred tax asset

Regarding deferred tax there is a recognized tax asset concerning tax loss carry-forward. It is Management's opinion that the tax loss can be utilized.

Notes

3. Net revenue

	2017 T.DKK	2016 T.DKK
Sales of satellite solutions, platforms, payloads and subsystems	74.146	44.278
	74.146	**44.278**

Geographic distribution		
Europe	37.743	21.635
USA	13.370	2.792
Asia	7.543	10.016
Rest of the world	15.490	9.835
	74.146	**44.278**

Revenue from the United Kingdom accounts for 28% of the total net revenue (11% in 2016).
Revenue from the United States accounts for 18% of the total net revenue (6% in 2016).
Revenue from Mauritius accounts for 16% of the total net revenue (18% in 2016).
Revenue from Holland accounts for 10% of the total net revenue (17% in 2016).
Revenue from China accounts for 5% of the total net revenue (14% in 2016).
Revenue from Denmark accounts for 3% of the total net revenue (10% in 2016).

4. Staff costs

	2017 T.DKK	2016 T.DKK
Wages and salaries	81.484	28.750
Share-based payments	4.743	0
Pension costs, defined contribution plans	4.818	2.107
Other expenses to social security	850	305
Other employee costs	1.766	810
Total staff costs	**93.661**	**31.972**
Of which:		
Wages and salaries capitalized as development projects	18.987	3.550
Total staff costs	**74.674**	**28.422**
Average number of full time employees	106	43
Staff costs are included in:		
Costs of goods sold	30.067	11.260
Sales and distribution costs	8.746	6.203
Development costs*	41.971	8.811
Administrative costs	12.877	5.698
Total staff costs	**93.661**	**31.972**
* of which:		
Wages and salaries capitalized as development projects	18.987	3.550
Total staff costs	**74.674**	**28.422**

Remuneration of Executive Board and Board of Directors		
Wages and salaries	6.149	5.484
Pension costs, defined contribution plans	15	840
Other remuneration	198	0
	6.362	**6.324**

Executive Board and Board of Directors comprise the Company's key management personnel.

Notes

5. Share-based payment

The Board of Directors of GomSpace Group AB (parent company of GomSpace A/S) obtained approval to implement a share-based incentive program (equity-settled share-based payment transactions) in the form of a warrant scheme offered to all Danish and Swedish employees of the group. The warrants provide participants the right to purchase newly issued shares in GomSpace Group AB. A total of 402,424 warrants were approved and granted to employees of GomSpace A/S in two separate decisions (259,888 and 142,536 warrants were authorized and granted in April 2017 and August 2017, respectively). The warrants were granted by GomSpace Group AB. The share-based payment transaction is accounted for as an equity-settled share-based payment scheme in GomSpace A/S.

The warrants vest in four equal annual instalments commencing on the date of grant, with the final instalment vesting on 27 April 2020. The warrants can be exercised between 27 April 2020 and 27 April 2021 within certain exercise windows. Vesting of the warrants will be conditional upon continued employment of the participants.

Employees (including senior executives) of GomSpace A/S receive remuneration in the form of share-based payments, whereby employees render services as consideration for warrants granted by GomSpace Group AB. As GomSpace A/S does not have responsibility for settling the transaction, the arrangement is accounted for as an equity-settled share-based payment transaction.

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using the Black-Scholes option pricing valuation model, further details of which are given in Note 5. The cost is recognised in employee benefits expense together with a corresponding increase in equity (capital contribution received from GomSpace Group AB) over the period in which the service conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

A management recharge, based upon the grant date fair value of the warrants, is accrued over the vesting period of the share-based payment. As the recharge amount is directly based on the value of the underlying share-based payment, the recharge to GomSpace Group AB is charged directly to equity, provided it represents a return of the capital contribution received up to the amount of the contribution and a distribution thereafter.

The total expense recognised in profit or loss for the year related to the warrant schemes was T.DKK 4,743.

The fair value of the warrants has been calculated using the Black-Scholes option pricing model. Key inputs in the valuation model include:

	First award (27 April 2017)	**Second award (24 August 2017)**
Expected future dividend (SEK per share)	0	0
Volatility	70%	70%
Risk free interest rate	0%	0%
Life of warrant	48 months	48 months
Share price at grant date (SEK per share)	54.0	58.3
Exercise price (SEK per share)	54.1	54.1
Fair value at grant date (SEK per warrant)	27.6	30.9

The volatility has been determined using the volatility in GomSpace Group AB's share price since the IPO, together with benchmarking against peer group companies.

Set out below is a summary movements in warrants during the year. All warrants granted have an exercise price of SEK 54.1.

	No. warrants
Outstanding at 1 January 2017	-
Granted	402.424
Forfeited	-8.777
Exercised	-
Expired	-
Outstanding at 31 December 2017	393.647
Exercisable at 31 December 2017	-

The remaining contractual life of all warrants granted is 40 months.

Notes

6. Depreciation and amortizations

	2017 T.DKK	2016 T.DKK
Costs of goods sold	1.176	268
Sales and distribution costs	244	105
Development costs	901	122
Administrative costs	451	110
Total depreciation	**2.772**	**605**
Costs of goods sold	1.118	560
Sales and distribution costs	224	226
Development costs	884	265
Administrative costs	429	228
Total amortizations	**2.655**	**1.279**

7. Other operating income

Other operating income primarily consists of management fees from group companies.

8. Finance income

Interest income	8	7
Exchange rate adjustments	2.598	386
Fair value gains on securities	0	4
	2.606	**397**

9. Finance expenses

Interest expenses	2.280	554
Exchange rate adjustments	4.356	492
Fair value loss on securities	1	2
Other financial expenses, including bank fees	206	245
	6.843	**1.293**

Notes

10. Tax on profit (loss) for the year

	2017 T.DKK	2016 T.DKK
Tax on profit (loss) for the year comprises		
Current tax on profit (loss) for the year*	-3.554	-828
Changes in deferred tax	-6.016	390
Tax expense (income) for the year	**-9.570**	**-438**
Profit (loss) before tax	-48.397	-2.106
Danish tax rate for GomSpace A/S	22%	22%
Tax expense (income)	-10.647	-463
Non-deductible expenses	1.077	25
Tax expense (income) for the year	**-9.570**	**-438**
Effective tax rate	20%	21%
Income tax expense (income) reported in the income statement	-9.570	-438
	-9.570	**-438**

Unrecognised tax assets amount to T.DKK 0 (TDKK 0 in 2016).

* A part of the tax loss for the year is caused by development costs. According to the Danish tax legislation the tax value (22%) of development costs can be paid out subsequent to the filing of the taxable income for the year. Accordingly, the tax loss carried forward is reduced.

Notes

11. Intangible assets

	Completed development projects T.DKK	In-process development projects T.DKK	Other intangible assets T.DKK	Total T.DKK
Cost price at 1 January 2017	9.367	4.816	951	15.134
Additions during the year	0	16.155	12.945	29.100
Reclassification	1.347	-1.347	0	0
Cost price at 31 December 2017	10.714	19.624	13.896	44.234
Amortization at 1 January 2017	-4.679	0	-139	-4.818
Amortization	-1.466	0	-1.189	-2.655
Amortization at 31 December 2017	-6.145	0	-1.328	-7.473
Carrying amount 31 December 2017	**4.569**	**19.624**	**12.568**	**36.761**
Cost price at 1 January 2016	5.542	4.877	0	10.419
Additions during the year	0	3.764	951	4.715
Reclassification	3.825	-3.825	0	0
Cost price at 31 December 2016	9.367	4.816	951	15.134
Amortization at 1 January 2016	-3.539	0	0	-3.539
Amortization	-1.140	0	-139	-1.279
Amortization at 31 December 2016	-4.679	0	-139	-4.818
Carrying amount 31 December 2016	**4.688**	**4.816**	**812**	**10.316**

Other intangible assets primarily consist of investments in the new ERP system and software.

In 2017, the Company received T.DKK 1,511 in government grants which are set off against additions during the year.

Notes

11. Intangible assets (continued)

In general

GomSpace A/S has realised a loss of T.DKK 38,827 and a gross margin of 28%. Expectations for the period 2018-2021 is still in accordance with the information announced in connection with the initial public offering at NASDAQ First North Premier in Stockholm in 2016 with a revenue target in 2021 of T.SEK 820,000 and an estimated gross margin of 65 %.

The group’s activities are primarily carried out in GomSpace A/S and in a smaller scale in NanoSpace AB. In 2017, the group established new subsidiaries in Singapore, USA and Luxembourg and the activities have been moderate in 2017. The parent company GomSpace Group AB’s sole activity is holding of shares in subsidiaries and associates as well as the stock listing on NASDAQ First North Premier.

Based on the market value of GomSpace Group AB on NASDAQ First North Premier in Stockholm during the period since the initial public offering in 2016, including the market value of the new shares issued 8 March 2018, management assesses there is plenty of headroom between the recoverable amount and the carrying amount of in-process development projects as at 31 December 2017.

In-process development projects

In-process development projects are subject to an annual impairment test. In-process development projects consist of nanosatellite platforms with deployable tracking solar panels as well as high capability electronic power-system and radio products for higher frequencies thus increasing data bandwidth. Please refer to management’s review on page 7 “Market development” and page 8 “Product development”.

The carrying amount for in-process development projects in progress as at 31 December 2017 amounts to T.DKK 19,624 (T.DKK 4,816 at 31 December 2017).

The main parts of the in-process development projects are expected to be completed during 2018. Management expects the development projects to increase revenue for the company in 2018 and the following years. Please refer to the expectations for the period 2018-2021 announced in connection with the initial public offering at NASDAQ First North Premier in Stockholm in 2016 with a revenue target in 2021 of T.SEK 820,000 and an estimated gross margin of 65 %.

The in-process development projects are tested for impairment as at 31 December 2017. The recoverable amount of the in-process development projects were set based on computations of value in use. The value in use is based on business plans approved by management for the individual in-process development projects, including projected cash-inflows from budgeted and estimated revenue and budgeted and estimated cash-outflows from completing the projects and cash-flows related to the sale of the developed products. The business plans are among other things based on market reports on future growth and technology trends.

Based on the impairment tests management assesses there is significant headroom between the recoverable amount and the carrying amount of in-process development projects as at 31 December 2017.

Other intangible assets, including completed development projects

With reference to the expectations for the period 2018-2021, management has not identified any factors indicating the need to carry out impairment tests for other intangible assets, including completed development costs in 2017.

Development costs recognized in the income statement

Development costs recognised in the income statement in 2017 amount to T.DKK 22,689 (T.DKK 6,122 in 2016).

Notes

12. Plant and equipment	Plant and equipment T.DKK	Leasehold improvements T.DKK	Total T.DKK
Cost price at 1 January 2017	4.019	1.792	5.811
Additions during the year	7.997	5.868	13.865
Disposals during the year	-305	-148	-453
Cost price at 31 December 2017	11.711	7.512	19.223
Depreciation at 1 January 2017	-934	-257	-1.191
Depreciation	-2.275	-497	-2.772
Disposals during the year	259	110	369
Depreciation at 31 December 2017	-2.950	-644	-3.594
Carrying amount 31 December 2017	**8.761**	**6.868**	**15.629**
Cost price at 1 January 2016	1.155	0	1.155
Additions during the year	2.868	1.792	4.660
Disposals during the year	-4	0	-4
Cost price at 31 December 2016	4.019	1.792	5.811
Depreciation at 1 January 2016	-586	0	-586
Depreciation	-348	-257	-605
Depreciation at 31 December 2016	-934	-257	-1.191
Carrying amount 31 December 2016	**3.085**	**1.535**	**4.620**

Notes

13. Deferred tax

	2017 T.DKK	2016 T.DKK
Deferred tax at 1 January	-1.116	-726
Deferred tax recognized in the income statement	6.017	-390
Deferred tax at 31 December	**4.901**	**-1.116**
Deferred tax relates to:		
Intangible assets	-7.663	-2.210
Property, plant and equipment	1.300	-246
Short-term assets	-224	-31
Short-term liabilities	49	0
Tax loss carry-forwards	11.439	1.371
	4.901	**-1.116**
Deferred tax assets	12.788	1.906
Deferred tax liabilities	-7.887	-3.022
Deferred tax, net	**4.901**	**-1.116**

Management assesses that the deferred tax asset can be utilized in 2-3 years based on expectations for the period 2018-2021, still in accordance with the information announced in connection with GomSpace Group AB's initial public offering at NASDAQ First North Premier in Stockholm in 2016 with a revenue target in 2021 of T.SEK 820,000 and an estimated gross margin of 65 %.

14. Other non-current assets

Other non-current assets consist of rent deposit.

15. Inventories

	2017 T.DKK	2016 T.DKK
Finished goods	411	407
Raw materials and consumables	6.130	2.756
	6.541	**3.163**

T.DKK 11,862 of inventories were recognized in cost of sales during 2017 (T.DKK 7,130 in 2016). Write-downs of inventories in 2017 amounted to T.DKK 0 (T.DKK 171 in 2016).

Notes

16. Contract work

	2017 T.DKK	2016 T.DKK
Revenue from contract work in progress	75.100	44.278
Less progress billings	-90.332	-29.817
	-15.232	**14.461**
Recognized in the balance sheet as:		
Amounts due from customers for contract work	12.638	17.708
Amounts due to customers for contract work	-27.870	-3.247
	-15.232	**14.461**

17. Trade receivables

Trade receivables, others	11.858	8.412
Trade receivables, intercompany	437	1.687
Trade receivables, associates	9.609	0
	21.904	**10.099**

Ageing of receivables

Not due	1.193	3.705
0 - 30 days overdue	16.625	1.415
31 - 90 days overdue	2.803	4.274
>120 days overdue	1.283	705
	21.904	**10.099**

Movement in allowance for doubtful trade receivables

Allowances for losses during the year	983	0
Confirmed losses	223	0
	1.206	**0**

As at 31 December 2017, trade receivables at an amount of T.DKK 20,711 (T.DKK 6,394 in 2016) were past due but not impaired. These relate to a number of independent customers where there is no recent history of non-payment.

The remainig trade and other receivables do not contain impaired assets as these are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Company does not hold any collateral in relation to these receivables.

Notes

18. Tax receiveable
Tax receivable consists of tax receivable related to the tax credit scheme concerning development projects.

19. Prepayments
Prepayments mainly consist of prepaid insurance and rental costs related to 2018.

20. Share capital

The share capital comprises 4,793,381 shares of a nominal value of DKK 1 each. No shares carry any special rights.

	Number of shares
Changes in share capital:	
Share capital at 1 January 2016	993.381
Capital increase 2016	1.000.000
Capital increase 2017	2.800.000
Share capital at 31 December 2017, fully paid	**4.793.381**

In 2017, GomSpace A/S was converted from an ApS to an A/S.
Furthermore, a capital increase was completed by the parent company GomSpace Group AB in 2017.

Capital management
The Company is primarily financed through equity, but will use debt financing when this can be achieved at attractive conditions. Management evaluates the need for capital on an ongoing basis. The objectives when maintaining capital are to maintain sufficient capital in order to meet short-term obligations and at the same time preserve investor's confidence required to sustain future development of the business.

The Company is not exposed to any externally imposed capital requirements.

	2017	**2016**
	T.DKK	**T.DKK**
21. Other liabilities		
Accrued costs, including project related costs	10.578	0
Accrued holiday pay	7.643	2.869
Payroll liabilities	2.667	1.092
Contract work, loss	167	0
	21.055	**3.961**

22. Prepayments
Prepayments consist of prepayments from customers and received grants for development projects.

Notes

23. Commitments and contingent liabilities

	2017 T.DKK	2016 T.DKK
Operating leases		
Operating lease commitments:		
Due within 1 year	4.194	918
Due between 1 and 5 years	18.728	296
Due after 5 years	1.642	0
	24.564	**1.214**
Lease payments recognised as an expense amount to	4.138	1.064

Lease commitments primarily relate to office rental.

There are no pending court and arbitration cases.

Guarantees
GomSpace has provided the following guarantees as at 31 December 2017:
- Guarantees to unrelated parties for the performance in contracts. No liability is expected to arise.

Regarding debt to credit institutions the Company has provided security in the Company's assets representing a nominal value of T.DKK 32,500 (T.DKK 11,500 in 2016). The carrying amount of the Company's assets amounts to T.DKK 80,835 (T.DKK 28,198 in 2016). This security comprises the below assets:

- Intangible assets
- Property, plant and equipment
- Inventories
- Trade receivables

Notes

24. Financial risks

General risk management

Due to its activities, the Company is exposed to various financial risks, including changes in foreign currency, interest, liquidity and credit risks. The Company manages the risks centrally and follows the policies approved by the Board of Directors. The Company does not actively engage in speculation of financial risks.

Credit risks

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities which mainly relate to contract work in progress, trade receivables and other receivables, and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. Maximum exposure corresponds to the carrying amount. For sale of products, an advance payment is received from the customer.

The Company's assesses the risks of losses on an ongoing basis and, if necessary, write-downs are made according to the Company's policies. Excess cash is placed with banks with ratings A or above. The Company does not have any material risks related to individual customers. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any deliveries to major customers are generally covered by letters of credit or other forms of credit insurance. Customer agreements are mainly entered into for specific and isolated orders and there are no framework agreements or the like that would ensure repeated orders and future sales.

The Company's customers are both public and private enterprises. Total receivables amount to T.DKK 21,904 (T.DKK 10,099) as at 31 December 2017 of which 24% (46%) are public customers and 76% (54%) are industry customers.

An impairment analysis is performed at each reporting date on an individual basis. The management assesses credit risk in relation to the individual customer, taking into account whether they are public customers who are deemed to have a lower credit risk than industry customers. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions. The Company's activities take place in the global market for nanosatellites and management does not distinguish between customers' geographical affiliations in the credit risk assessment. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 25.

Notes

24. Financial risks (continued)

Foreign exchange risks

The Company's sales, cost of goods sold and expenses are mainly incurred in EUR or USD. The Company has transactions in other currencies, but exposure in those currencies is not significant.

There is no foreign currency hedging regarding transactions in foreign currency.

A change in foreign exchange rates of +/- 1% concerning assets and liabilities in EUR will have an effect on result and equity before tax with T.DKK 382.

A change in foreign exchange rates of +/- 10% concerning assets and liabilities in USD will have an effect on result and equity before tax with T.DKK 4,161.

Interest rate risk

The Company's loans are carried at variable interest rates. A change in the interest level will have limited effect on the result or equity.

A change in the interest of +/- 1% will have an effect on result and equity before tax with T.DKK 263.

Liquidity risk

Funding and adequate liquidity are fundamental factors in driving an expanding business, and management of both is an integrated part the Company's continuous budget and forecasting process. To ensure focus on managing the risks related to funding and liquidity, the Company manages and monitors funding and liquidity and ensures the availability of required liquidity through cash management and borrowing facilities.

The Company’s long term financing consists of a loan from Vækstfonden under EU’s InnovFin SMV Programme in 2015. The loan bears a floating rate, 6.6% and 7.6% p.a. as at 31 December 2017. The loan can be redeemed by GomSpace at par value at any time and is subject to change of control and transfer of assets clauses.

On 8 March 2018, the parent company GomSpace AB issued 2,083,333 new shares at a price of SEK 60.00 per share. The directed new issue will result in gross proceeds to the Group at an amount of T.SEK 125,000 (before transaction related costs), please refer to the announcement dated 8 March 2018.

Notes

24. Financial risks (continued)

	0-1 year T.DKK	1-5 years T.DKK	>5 years T.DKK	Total T.DKK	Carrying amount T.DKK
31 December 2017					
Borrowings from credit institutions	4.229	22.551	5.660	32.440	25.697
Trade and other payables	34.026	0	0	34.026	34.026
	38.255	**22.551**	**5.660**	**66.466**	**59.723**
31 December 2016					
Borrowings from credit institutions	5.937	5.279	0	11.216	10.464
Trade and other payables	9.645	0	0	9.645	9.645
	15.582	**5.279**	**0**	**20.861**	**20.109**

Fair value of the loan from Vækstfonden is determined to be equal to its carrying amount due to the issuance of the loan (level 2 in the fair value hierarchy). Fair value of short-term liabilities is determined to equal their carrying amount.

The analysis is based on all undiscounted cash flows, including estimated interest payments and expected instalments on loans. The estimates on interest are based on current market conditions.

The payment obligations are expected to be settled through cash inflows from operating activities and through cash inflows and cash from the parent company.

Notes

25. Classification of financial assets and liabilities

	Financial instru-ments carried at fair value through profit or loss	Loans and receiv-ables	Other financial liabilities	Total	Carrying amount	Fair Value Level 1
31 December 2017	**T.DKK**	**T.DKK**	**T.DKK**	**T.DKK**	**T.DKK**	**T.DKK**
Assets						
Trade and other receivables	0	26.093	0	26.093	26.093	0
Marketable securities	7	0	0	7	0	7
Cash and cash equivalents	0	40.261	0	40.261	40.261	0
Total assets	7	66.354	0	66.361	66.354	7
Liabillities						
Other non-current loans	0	0	22.073	22.073	22.073	0
Trade payables andother payables	0	0	50.248	50.248	50.248	0
Prepayments	0	0	4.952	4.952	4.952	0
Total liabilities	0	0	77.273	77.273	77.273	0
31 December 2016						
Assets						
Trade and other receivables	0	12.731	0	12.731	12.731	0
Marketable securities	8	0	0	8	0	8
Cash and cash equivalents	0	2.470	0	2.470	2.470	0
Total assets	8	15.201	0	15.209	15.201	8
Liabillities						
Credit institutions	0	4.470	0	4.470	4.470	0
Other non-current loans			4.802	4.802	4.802	
Trade payables and other payables	0	0	10.837	10.837	10.837	0
Prepayments	0	0	1.264	1.264	1.264	0
Total liabilities	0	4.470	16.903	21.373	21.373	0

Notes

25. Classification of financial assets and liabilities (continued)

Fair value of credit institutions and other non-current loans are deemed to be equal to the total carrying amount, as these items are of a short-term nature.

The fair values of financial instruments traded in an active market (such as financial instruments held for trading and available-for-sale financial instruments) are based on quoted market prices as at the balance sheet date. A market is regarded as active if quoted prices from an exchange, broker, industry group, pricing service or regulatory authority are easily and regularly available, and provided these prices represent actual and regularly occurring arm’s length market transactions. The quoted market price used for the company’s financial assets is the current bid price. These instruments belong to Level 1.

The fair values of financial instruments which are not traded in an active market are determined with the help of valuation techniques. Market data is used as far as possible when such data is available. If all significant inputs required for the fair value measurement of an instrument are observable, the instrument belongs to Level 2.

In cases where one or several significant inputs are not based on observable market information, the instrument is classified as Level 3.

The above table shows financial instruments carried at fair value based on their classification in the fair value hierarchy. The different levels are defined as follows:

• Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
• Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly in the form of quoted prices or indirectly, i.e. derived from quoted prices (Level 2)
• Inputs for the asset or liability which are not based on observable market data (non-observable inputs) (Level 3).

In 2017, no transfers between levels were made.

Notes

26. Liabilities from financing activities

	At the beginning of the year T.DKK	Cash flow T.DKK	Non-cash alterations Convertion of debt to equity T.DKK	At the end of the year T.DKK
Loan from Vækstfonden	5.994	19.703	0	25.697
Credit institutions	4.470	-4.470	0	0
Borrowings Parent company	1.624	3.490	56.000	-1.866
Total liabilities from financing activities	**12.088**	**18.723**	**56.000**	**23.831**

27. Changes in net working capital

	2017 T.DKK	2016 T.DKK
Changes in inventories	-3.378	-788
Changes in trade receivables	-11.805	-4.718
Changes in other receivables	2.935	-13.493
Changes in trade and other payables	58.143	12.027
	45.895	**-6.972**

28. Government grants

During 2017, the Company received T.DKK 3,657 in public grants for investments (T.DKK 1,746 in 2016) which are set off against the cost of the assets to which the grants relate. Hereof T.DKK 2,146 (T.DKK 1,264 in 2016) are presented as prepayments.

Notes

29. Related parties
GomSpace A/S' related parties comprise GomSpace Group AB as shareholder with an ownership of 100%, as well as affiliated companies, the Board of Directors and the management team. Further, related parties comprise companies in which the above-mentioned persons have significant interest.

The Company had expenses for office rental, accounting and legal assistance, management fee and interest of loans to shareholders (with significant influence over the Company) at an amount of T.DKK 13,759 (T.DKK 2,586 in 2016), apart from management costs in note 4.

The Company had income of mangement fee, accounting and legal assistance to shareholders (with significant influence over the Company) at an amount of T.DKK 15,465 (T.DKK 2,421 in 2016). Receivables from related parties amount to T.DKK 10,046 at 31 December 2017 (T.DKK 1,687 at 31 December 2016).

The Company had sale of goods and services to associates at a total amount of T.DKK 13,857.

Payables to related parties amount to T.DKK 12,598 at 31 December 2017 (T.DKK 0 at 31 December 2016).

The Danish companies participate in joint taxation. GomSpace A/S, as the administrator of the joint taxation, bears unlimited liability for Danish corporation tax and tax at source on dividends, interest and royalties within the joint taxation scheme.

30. Events after the balance sheet date
Subsequent to the balance sheet date, T.SEK 125,000 were raised through a directed new issue of shares on 8 March 2018. The new share issue was directed to a limited number of Swedish and international institutional investors and the entire amount of T.SEK 125,000 has been paid. Apart from this, no material events have occurred subsequent to the balance sheet date.

Notes

31. New accounting standards

At the time of publishing this annual report, IASB issued new and altered accounting standards and interpretative aids which are not mandatory for GomSpace A/S when preparing the annual report for 2017. The approved standards which have not taken effect as well as interpretative aids are implemented in line with these becoming mandatory to the company. From the new and altered accounting policies as well as interpretative aids, it is assessed that solely IFRS 9, IFRS 15 and IFRS 16 to a certain extent may potentially influence recognition and measurement in the annual report. The company has completed an analysis of the expected effect of IFRS 9 and IFRS 15 whereas the Group has solely performed a preliminary analysis of the expected effect of IFRS 16. A description of the result is given below.

IFRS 9 Financial Instruments which replaces IAS 39 alters the classification and the derived measurement of financial assets and liabilities. This standard becomes effective for financial years commencing on 1 January 2018 or later. A new impairment model for financial assets is for instance introduced. The so-called “expected loss” model will require a more timely recognition of the expected loss, both upon initial recognition as well as subsequently compared to the current model where impairment is not recognized until there is an indication of loss (“incurred loss” model). The company has performed an analysis of the expected impact of the new standard. Based on analyses of the company's current financial assets, it is assessed that there is an insignificant effect on recognition and measurement.

IFRS 15 Revenue from Contracts with Customers which replaces the current revenue standards (IAS 11 and IAS 18) as well as interpretative aids introduces a new model for recognition and measurement of revenue concerning sales contracts with customers. This standard becomes effective for financial years commencing on 1 January 2018 or later. The company has performed an analysis of the expected influence of the new standards. Based on analyses of the company's current income as well as contract types, it is assessed that there is an insignificant effect on recognition and measurement.

IFRS 16 *Leases* was published mid-January 2016. The standard which becomes effective for financial years commencing on 1 January 2019 or later, significantly alters the accounting treatment regarding the lease contracts which are currently treated as operating leases. Thereby, the standard requires that all lease contracts, regardless of the type – with a few exceptions – must be recognized in the lessee’s balance sheet as an asset, including lease obligation. At the same time, the lessee’s income statement will be influenced as the annual costs related to the lease in future will consist of two elements – partly amortization and partly interest costs – in contrast to today where the annual costs concerning operating leases are recognized as one amount under operating expenses. Finally, it is expected that the cash flow statement of the company will be influenced as the operational lease payments which are currently presented as cash flow from operating activities, in future these will be presented as financial activities. Based on a preliminary analysis of the importance of the new standard, the company assesses that this will have some significance on the company's balance sheet and cash flow statement whereas result for the year based on the current lease agreement portfolio will be affected to a minor degree.