

GomSpace ApS

CVR No 30 89 98 49

Annual Report for

January 1, 2016

-

December 31, 2016

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

Chairman

Name *Tanja Frikkelt* Date: 26 April 2017



Home Address: Alfred Nobels Vej 21A, 1., DK-9220 Aalborg East
CVR No.: 30 89 98 49

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Company Information

Company

GomSpace ApS
Alfred Nobels Vej 21A, 1.
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Denmark

CVR No. 30 89 98 49
Municipality of reg. office Aalborg

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Board of Directors

Jukka Pekka Pertola, Chairman
Niels Jesper Jespersen Jensen
Lars Krogh Alminde
Carl Erik Jørgensen
Jens Langeland-Knudsen

Executive Board

Niels Buus

Auditors

PricewaterhouseCoopers, Statsautoriseret Revisionspartnerselskab

Key Figures

	2016 T.DKK	2015 T.DKK	2014 T.DKK	2013 T.DKK	2012* T.DKK
5 years' key figures					
Net revenue	44,278	27,174	21,836	8,379	4,853
Operating profit	-1,210	-1,879	1,445	208	-238
Net financial items	-896	-611	-146	-172	-34
Profit (loss) before income tax	-2,106	-2,490	1,299	36	-272
Profit (loss) for the year	-1,668	-1,889	1,004	14	-209
Investments in PPE	4,660	457	433	149	0
Total assets	53,313	24,521	14,907	8,653	6,585
Total equity	27,577	11,245	6,042	5,038	5,024
Total liabilities	25,736	13,276	8,865	3,615	1,561
5 years' ratios					
Operating margin	-3%	-7%	7%	2%	-5%
Net margin	-4%	-7%	5%	0%	-4%
Return on invested capital (%)	-3%	-8%	7%	0%	-3%
Return on equity (%)	-9%	-22%	18%	0%	-9%
Equity ratio (%)	52%	46%	41%	58%	76%
Earning per share	-0.8	-1.9	1.7	0.0	-0.4

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)

*As the Company has implemented IFRS in 2015, the key figures for 2012 are prepared in accordance with the Danish Financial Statement Act and not IFRS.

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of GomSpace ApS for the financial year 1 January - 31 December 2016.

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 2016 of the Company and of the results of the Company operations and cash flows for 2016.

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 position.

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

Aalborg, 26 April 2017

Executive Board



Niels Buus

Board of Directors



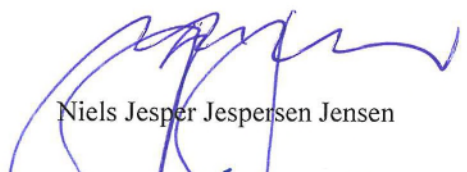
Jukka Pekka Pertola
Chairman




Lars Krogh Alminde



Jens Langeland-Knudsen



Niels Jesper Jespersen Jensen



Carl Erik Jørgensen

Independent Auditor's Report

To the Shareholders of GomSpace ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position at 31 December 2016 and of the results of the Company's operations and cash flows for the financial year 1 January to 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Financial Statements of GomSpace ApS for the financial year 1 January - 31 December 2016, which comprise income statement and statement of other comprehensive income, statement of financial position, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We 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.

Statement on Management's Review

Management is responsible for Management's Review.

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

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained 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 Financials Statements Act.

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

Independent Auditor's Report

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 further requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the 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 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 over-ride 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.

Independent Auditor's Report

- 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.

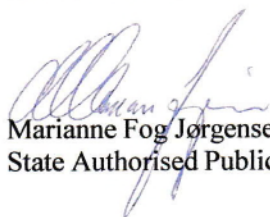
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Aalborg, 26 April 2017

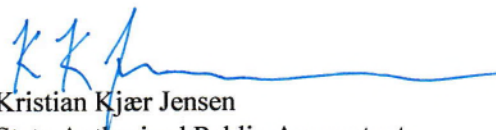
PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No. 33 77 12 31



Marianne Fog Jørgensen
State Authorised Public Accountant



Kristian Kjær Jensen
State Authorised Public Accountant

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

- In June, the parent company GS Sweden AB was listed at Nasdaq First North Premier in Stockholm. The listing was performed to provide the Company with additional capital and thereby to place the Company in a strong position on the nanosatellites market, which is experiencing great growth potential.

R&D activities

- GomSpace invests in R&D with the purpose of offering the best nanosatellite solutions on the market with focus on radio applications. This includes investments in new products where we add capabilities and improve performance of our nanosatellite platforms, new products which enable constellations of nanosatellites to work together in a network. Furthermore, we develop new radio payloads to support application areas.
- The "GOMX" series of flight demonstration satellites serve to demonstrate new products in space to customers and to gain operational experience feedback into further developments. GomSpace has for instance entered an agreement with the Danish Defence for delivery of their own satellite which can contribute to their surveillance of the Arctic. The satellite will have radio receivers able to track and locate all traffic of ships and airplanes within the area. The demonstration is part of an analysis seeking to identify best-practice and future efforts reinforcing the Danish Defence's surveillance of the Arctic within the kingdom.
- We expect to invest in target areas where we will be able to create greater advantages for GomSpace. The capability of tracking airlines with the Automatic Dependent Surveillance – Broadcast (ADS-B) technology is one example of such an activity, and here we have secured a world leading position.

Financial highlights

Net revenue was DKK 44.3 million in 2016, compared to DKK 27.2 million in 2015. The Company realized a net loss of DKK 1.7 million compared to a net loss of DKK 1.9 million in 2015.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Expectations for the future

The future for GomSpace looks very bright. We were able to close the world's largest nanosatellite order. This order is 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. The Company is experiencing a very high demand in all of its primary business areas.

In the scientific area, there is a strong tendency that an increased number of science groups can use satellites because they – with our solutions – become affordable.

Management's Review

Expectations for the future (continued)

The defence and intelligence customers are extremely interested in our nanosatellites, because our cost base is significantly lower than traditional satellites. GomSpace for instance entered an agreement with the Columbian Air Force in which case the observation satellite will be able to serve a wide range of applications such as studying land usage, planning urban development, detecting illegal crops, monitoring natural disaster effects, etc. Delivery of the satellite and launch will take place in the first quarter of 2018.

The Company is experiencing increasing growth and in order to realise the growth plans, the Company depends on contribution of capital. Additional capital will be financed by the parent company and credit institutions.

The Company's management considers it to be very likely that the Company will receive the necessary liquidity and capital. In case the Company does not receive the planned capital, the Company's management is prepared to realise a lower growth as a result of the Company's financial resources.

The Company is experiencing rapid growth and subsequently the staff is also expanding rapidly. Currently there are approx. 90 employees. Consequently, during the summer of 2017 the Company will move into new premises.

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.

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.

Management's Review

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 GS Sweden AB.

Income Statement

	Notes	2016 T.DKK	2015 T.DKK
Net revenue	3	44,278	27,174
Cost of goods sold	4,5	-19,849	-13,466
Gross profit		24,429	13,708
Sales and distribution costs	4,5	-11,791	-5,750
Research and development costs	4,5	-6,122	-6,256
Administrative costs	4,5	-11,152	-3,581
Other operating income		3,426	0
Operating profit		-1,210	-1,879
Finance income	6	397	130
Finance expenses	7	-1,293	-741
Profit (loss) before income tax		-2,106	-2,490
Income tax	8	438	601
Profit (loss) for the year		-1,668	-1,889
<i>Profit (loss) is attributable to</i>			
Owners of GomSpace ApS		-1,668	-1,889
		-1,668	-1,889

Statement of Other Comprehensive Income

	Notes	2016 T.DKK	2015 T.DKK
Profit (loss) for the period		-1,668	-1,889
Other comprehensive income for the period, net of tax		0	0
Total comprehensive income for the period		-1,668	-1,889
<i>Total comprehensive income for the period is attributable to:</i>			
Owners of GomSpace ApS		-1,668	-1,889
		-1,668	-1,889

Statement of Financial Position

	Notes	2016	2015
		T.DKK	T.DKK
Finished development projects	9	4,688	2,003
Development projects in progress	9	4,816	4,877
Other intangible assets	9	812	0
Intangible assets		10,316	6,880
Property, plant and equipment	10	4,620	569
Property, plant and equipment		4,620	569
Total non-current assets		14,936	7,449
Inventories	12	3,163	2,375
Inventories		3,163	2,375
Contract work	13	17,708	5,738
Trade receivables	14	10,099	5,381
Income tax receivables		1,857	1,028
Other prepayments		440	0
Other receivables		2,632	1,549
Receivables		32,736	13,696
Marketable securities		8	6
Cash and cash equivalents		2,470	995
Total current assets		38,377	17,072
Total assets		53,313	24,521

Statement of Financial Position

	Notes	2016 T.DKK	2015 T.DKK
Share capital	15	1,993	993
Share premium		29,815	12,815
Capital reserve for development costs		2,693	0
Retained earnings		-6,924	-2,563
Total equity		27,577	11,245
Credit institutions	17	4,802	3,000
Deferred tax	11	1,116	726
Total non-current liabilities		5,918	3,726
Current part of non-current liabilities	17	1,192	602
Credit institutions	17	4,470	5,195
Trade payables and other payables	17	5,684	1,685
Contract work	13	3,247	233
Prepayments		1,264	0
Other liabilities	17	3,961	1,835
Total current liabilities		19,818	9,550
Total liabilities		25,736	13,276
Total equity and liabilities		53,313	24,521
Commitments and contingent liabilities	16		
Government grants	19		
Related parties	20		
Events after the balance sheet date	21		

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 1 January 2016	993	12,815	0	-2,563	11,245
Profit/loss for the period	0	0	0	-1,668	-1,668
Development costs 2016	0	0	2,936	-2,936	0
Amortization 2016	0	0	-243	243	0
Other comprehensive income	0	0	0	0	0
Total comprehensive income for the period	0	0	2,693	-4,361	-1,668
<i>Transactions with owners in their capacity as owners</i>					
Increase in share capital	1,000	17,000	0	0	18,000
Equity 31 December 2016	1,993	29,815	2,693	-6,924	27,577
Equity 1 January 2015	576	6,140	0	-674	6,042
Profit/loss for the period	0	0	0	-1,889	-1,889
Other comprehensive income	0	0	0	0	0
Total comprehensive income for the period	0	0	0	-1,889	-1,889
<i>Transactions with owners in their capacity as owners</i>					
Increase in share capital	417	6,675	0	0	7,092
Equity 31 December 2015	993	12,815	0	-2,563	11,245

Cash Flow Statement

	Notes	2016 T.DKK	2015 T.DKK
Profit (loss) before income tax		-2,106	-2,490
Reversal of financial items		896	611
Depreciation and amortizations		1,884	1,218
Change in net working capital	18	-8,596	-7,706
Cash flows from primary operating activities		-7,922	-8,367
Received interest		397	128
Paid interest		-1,278	-712
Cash flow from operating activities		-8,803	-8,951
Investments in intangible assets		-4,715	-4,376
Investments in property, plant and equipment		-4,660	-457
Sales of non-current assets		4	0
Cash flow from investing activities		-9,371	-4,833
Borrowings		3,000	3,004
Repayment of borrowings		-608	0
Capital increase		18,000	7,092
Cash flow from financing activities		20,392	10,096
Net cash flow for the year		2,218	-3,688
Cash and cash equivalents, beginning of the year		-4,200	-485
Unrealized exchange rate gains and losses on cash		-18	-27
Cash and cash equivalents, end of the year		-2,000	-4,200
Reconciliation of cash and cash equivalents			
Cash and cash equivalents according to the balance sheet		2,470	995
Credit institutions, current, according to the balance sheet		-4,470	-5,195
Cash and cash equivalents according to the cash flow statement		-2,000	-4,200

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Notes

1. Accounting policies

GomSpace ApS' Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as well as additional Danish disclosure requirements applying to entities of reporting class B. Further, they 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 GS Sweden AB. The address of GS Sweden AB is Stureplan 4 C, Stockholm.

Basis of preparation

The Financial Statements have been prepared under the historical cost method, except as noted in the various accounting policies.

The accounting policies set out below have been applied consistently in respect of the financial year 2016 and the comparative figures.

New standards

The IASB has issued a number of new or amended standards and interpretations effective for financial years beginning after 1 January 2016. Some of these have not yet been endorsed by the EU. Most relevant to the Company is the following:

Endorsed by the EU:

- IFRS 9 "Financial Instruments"

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard will replace IAS 39 Financial Instruments.

While the Company has yet to undertake a detailed assessment of the classification and measurement of financial assets, debt instruments currently classified as available-for-sale (AfS) financial assets would appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.

There will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities.

The standard must be applied for financial years commencing on or after 1 January 2018.

Notes

1. Accounting policies (continued)

- IFRS 15 “Revenue Recognition”.

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018.

During 2016, GomSpace performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Company is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments.

The standard must be applied for financial years commencing on or after 1 January 2018.

Not yet endorsed by the EU:

- IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The standard will primarily affect the accounting for the Company's operating leases. As at the reporting date, the Company has non-cancellable operating lease commitments at an amount of T.DKK 1,214, see note 16. However, the Company has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The standard must be applied for financial years commencing on or after 1 January 2019.

In 2017, the Group plans to assess the potential effect of IFRS 16 on its consolidated financial statements. The Group is currently analysing the potential impact from the adoption of these new standards. The Group expects to adopt the standards and interpretations when they become effective.

The Company is currently analysing the potential impact from the adoption of these new standards. The Company expects to adopt the standards and interpretations when they become effective.

Description of accounting policies

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).

Notes

1. Accounting policies (continued)

Translations and transactions

Transactions in foreign currencies are initially translated into the functional currency at the exchange rates at the transaction date.

Exchange adjustments arising due to differences between the transaction date rates and the rates at the payment date are recognized in financial income or financial expenses in the income statement. Receivables, payables and other monetary items in foreign currencies not settled at the balance sheet date are translated at the exchange rates at the balance sheet date.

Exchange adjustments arising due to differences between the rates at the balance sheet date and the transaction date rates are recognized in financial income or financial expenses in the income statement.

Income statement

Contract work

Contracts for the construction of an individually negotiated asset and related services are recognized under the percentage of completion method.

The proportion of net revenue to be recognized in a particular period is calculated according to the stage of completion of the project. For most contracts this is measured by reference to the time spent on the contract up to the relevant balance sheet date as a percentage of the total estimated time of completing the contract. Consideration agreed in the contract is recognized over the contract period using this method.

If total costs are expected to exceed the consideration agreed, a provision is recognized for the expected loss.

Contracts for which the recognized net revenue from the work performed exceeds progress billings are recognized in the balance sheet as receivables.

Contracts for which progress billings exceed the net revenue are recognized as liabilities. Prepayments from customers are recognized under liabilities.

Cost of sales

Cost of sales 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.

Other operating income and expenses

Other operating income and expenses comprise income that is not related to the principal activities. This includes income from government grants, rental income and 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.

Notes

1. Accounting policies (continued)

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.

Income tax and deferred tax

Current tax liabilities and receivables are recognized in the balance sheet at the amounts calculated on the taxable income for the year adjusted for tax on taxable incomes for prior years and for taxes paid on account.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

In cases where the computation of the tax base may be performed according to different tax rules, deferred tax is measured on the basis of Management's intended use of the asset or settlement of the liability.

Statement of financial position

Intangible assets

Research expenses are recognized in the income statement as they incur. Development costs are recognized as intangible assets if the costs meet the criteria for recognition.

Amortization is based on the straight-line method over the expected useful lives of the assets:

- Development projects: 5 years

The amortization begins when the development project is at a stage where its commercial potentials 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.

Impairment testing of non-current assets

The carrying amount of non-current assets is 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)

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment charges. Property, 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:

- Other fixtures and fittings, tools and equipment: 2 - 5 years

Depreciation is based on a straight-line basis.

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

Government grants

Government grants comprise grants for investments, research and 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.

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)

Reserve for capitalised development projects

GomSpace ApS 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.

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.

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 payments made in connection with the acquisition and 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 shareholders.

Cash and cash equivalents comprise cash less short-term bank debt forming part of the Company's cash management.

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 9.

Contract work

Recognized revenue on contract work is based on percentage of completion which is based on time spent on the contract as a percentage of the total time estimated to complete the project. Management estimates, on an ongoing basis, the time 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 13.

Notes

3. Net revenue

	2016	2015
	T.DKK	T.DKK
Contract work	44,278	27,174
	<u>44,278</u>	<u>27,174</u>

In order to ensure a true and fair presentation of revenue in the financial statements, the Company has chosen to adjust comparative figures in the note as it is the Company's opinion that all revenue derives from contract work.

Geographic distribution

Europe	21,635	14,166
USA	2,792	1,755
Asia	10,016	7,672
Rest of the world	9,835	3,581
	<u>44,278</u>	<u>27,174</u>

Revenue from Mauritius accounts for 18% of the total net revenue (0% in 2015).

Revenue from Holland accounts for 17% of the total net revenue (30% in 2015).

Revenue from China accounts for 14% of the total net revenue (12% in 2015).

Revenue from the United Kingdom accounts for 11% of the total net revenue (2% in 2015).

Revenue from Denmark accounts for 10% of the total net revenue (10% in 2015).

4. Staff costs

	2016	2015
	T.DKK	T.DKK
Wages and salaries	25,200	15,319
Pension costs, defined contribution plans	2,107	1,307
Other expenses to social security	305	149
Other employee costs	810	330
Total staff costs	<u>28,422</u>	<u>17,105</u>
Average number of full time employees	43	30

Staff costs are included in:

Costs of goods sold	11,260	6,641
Sales and distribution costs	6,203	3,053
Research and development costs	5,261	5,695
Administrative costs	5,698	1,716
Total staff costs	<u>28,422</u>	<u>17,105</u>

Remuneration of Executive Board and Board of Directors

Wages and salaries	5,484	2,828
Pension costs, defined contribution plans	840	550
	<u>6,324</u>	<u>3,378</u>

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

In 2016 wages and salaries of T.DKK 3,550 have been capitalized as development projects (T.DKK 4,259 in 2015).

Notes

5. Depreciation and amortizations

	2016	2015
	T.DKK	T.DKK
Costs of goods sold	268	120
Sales and distribution costs	105	49
Research and development costs	122	85
Administrative costs	110	34
Total depreciation	605	288

Costs of goods sold	560	387
Sales and distribution costs	226	159
Research and development costs	265	274
Administrative costs	228	110
Total amortizations	1,279	930

6. Financial income

Interest income	7	3
Exchange rate adjustments	386	127
Fair value gains on securities	4	0
	397	130

7. Financial expenses

Interest expenses	554	375
Exchange rate adjustments	492	137
Fair value loss on securities	2	0
Other financial expenses, including bank fees	245	229
	1,293	741

Notes

8. Tax on profit (loss) for the year

	2016 T.DKK	2015 T.DKK
Tax on profit (loss) for the year comprises		
Current tax on profit (loss) for the year	-828	-1,028
Changes in deferred tax	390	427
Tax on profit (loss) for the year	-438	-601
Profit/loss before tax	-2,106	-2,490
Danish tax rate for GomSpace ApS	22%	23.5%
Tax	-463	-585
Non-deductible expenses	25	13
Changes to the Danish tax rate	0	-29
Tax on profit (loss) for the year	-438	-601
Effective tax rate	21%	24%
Income tax expense reported in the income statement	-438	-601
	-438	-601

Unrecognised tax assets amount to: TDKK 0 (TDKK 0 in 2015).

Notes

9. Intangible assets

	Finished development projects T.DKK	Development projects in progress T.DKK	Other intangible assets T.DKK	Total T.DKK
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
	T.DKK	T.DKK	T.DKK	T.DKK
Cost price at 1 January 2015	5,431	612	0	6,043
Additions during the year	0	4,376	0	4,376
Reclassification	111	-111	0	0
Cost price at 31 December 2015	5,542	4,877	0	10,419
Amortization at 1 January 2015	-2,609	0	0	-2,609
Amortization	-930	0	0	-930
Amortization at 31 December 2015	-3,539	0	0	-3,539
Carrying amount 31 December 2015	2,003	4,877	0	6,880

Development costs have been tested for impairment. The impairment test is based on the Management's budgets and estimates for the next 5 years and a cautious residual growth rate of 2 % similar to the expected market growth. The assumptions for budgets and estimates are based on market growth and increased use of nanosatellites in the commercial sector. The impairment test includes a discount factor of 10 %.

Notes

10. Property, plant and equipment

	Other fixtures, fittings, tools and equipment T.DKK	Total T.DKK
Cost price at 1 January 2016	1,155	1,155
Additions during the year	4,660	4,660
Disposals during the year	-4	-4
Reclassification	0	0
Cost price at 31 December 2016	<u>5,811</u>	<u>5,811</u>
Depreciation at 1 January 2016	-586	-586
Depreciation	-605	-605
Depreciation at 31 December 2016	<u>-1,191</u>	<u>-1,191</u>
Carrying amount 31 December 2016	<u>4,620</u>	<u>4,620</u>
	T.DKK	T.DKK
Cost price at 1 January 2015	698	698
Additions during the year	457	457
Disposals during the year	0	0
Cost price at 31 December 2015	<u>1,155</u>	<u>1,155</u>
Depreciation at 1 January 2015	-298	-298
Depreciation	-288	-288
Depreciation at 31 December 2015	<u>-586</u>	<u>-586</u>
Carrying amount 31 December 2015	<u>569</u>	<u>569</u>

Notes

11. Deferred tax

	2016 T.DKK	2015 T.DKK
Deferred tax at 1 January	726	299
Adjustments regarding previous years	0	0
Deferred tax recognized in the income statement	390	427
Deferred tax recognized in other comprehensive income	0	0
Deferred tax at 31 December	1,116	726
Deferred tax relates to:		
Intangible assets	2,210	1,513
Property, plant and equipment	246	1
Short term assets	31	-36
Provisions	0	0
Tax loss carry-forwards	-1,371	-752
Other liabilities	0	0
	1,116	726
Deferred tax assets	1,906	803
Deferred tax liabilities	-3,022	-1,529
Deferred tax, net	-1,116	-726

No part of the deferred tax liability is expected to be settled within 1 year.

12. Inventories

	2016 T.DKK	2015 T.DKK
Finished goods	407	476
Raw materials and consumables	2,756	1,899
	3,163	2,375

T.DKK 9,945 of inventories was recognized as expenses during 2016 (T.DKK 10,323 in 2015). Write-downs of inventories in 2016 amounted to T.DKK 171 (T.DKK 0 in 2015).

Notes

13. Contract work

	2016 T.DKK	2015 T.DKK
Revenue from contract work	44,278	14,848
Less progress billings	-29,817	-9,343
	14,461	5,505
Recognized in the balance sheet as:		
Amounts due from customers for contract work	17,708	5,738
Amounts due to customers for contract work	-3,247	-233
	14,461	5,505

In order to ensure a true and fair presentation of revenue in the financial statements, the Company has chosen to adjust comparative figures in the note as it is the Company's opinion that all revenue derives from contract work.

14. Trade receivables

Trade receivables, others	8,412	5,381
Trade receivables, intercompany	1,687	0
	10,099	5,381

Ageing of receivables

Not due	3,705	3,606
0 - 30 days overdue	1,415	1,002
31 - 90 days overdue	4,274	137
>120 days overdue	705	636
	10,099	5,381

Movement in allowance for doubtful trade receivables

Allowances for losses during the year	0	-240
Confirmed losses	0	240
	0	0

Notes

15. Share capital

The share capital comprises 1,993,381 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 2012	240,142
Capital increase 2012	336,076
Capital increase 2013	0
Capital increase 2014	0
Capital increase 2015	417,163
Capital increase 2016	1,000,000
Share capital at 31 December 2016, fully paid	1,993,381

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.

16. Commitments and contingent liabilities

	2016 T.DKK	2015 T.DKK
Operating leases		
Operating lease commitments:		
Due within 1 year	918	134
Due between 1 and 5 years	296	0
Due after 5 years	0	0
	1,214	134
Lease payments recognised as an expense amount to	1,064	534

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 2016:

- 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 11,500. The carrying amount of the Company's assets amounts to T.DKK 28.198. This security comprises the below assets:

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

Notes

17. 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

The Company's credit risks mainly relates to contract work in progress, trade receivables and other receivables. Maximum exposure corresponds to the carrying amount. For sale of products an advance payment is received from the customer.

The Company 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.

Foreign exchange risks

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

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.

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% p.a. as at 31 December 2016. 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.

Notes

17. Financial risks (continued)

	0-1 year	1-5 years	>5 years	Total	Carrying amount
	T.DKK	T.DKK	T.DKK	T.DKK	T.DKK
31 December 2016					
Bank borrowings	5,937	5,279	0	11,216	10,464
Trade and other payables	9,645	0	0	9,645	9,645
	<u>15,582</u>	<u>5,279</u>	<u>0</u>	<u>20,861</u>	<u>20,109</u>
31 December 2015					
Bank borrowings	5,414	3,641	0	9,055	8,195
Trade and other payables	4,153	0	0	4,153	3,520
	<u>9,567</u>	<u>3,641</u>	<u>0</u>	<u>13,208</u>	<u>11,715</u>

Fair value of the loan from Vækstfonden is determined to be equal to its carrying amount due to the issuance of the loan in the autumn of 2015 (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

18. Changes in net working capital

	2016 T.DKK	2015 T.DKK
Changes in inventories	-788	342
Changes in trade receivables	-4,718	-753
Changes in other receivables	-13,493	-4,769
Changes in trade and other payables	10,403	-2,526
	<u>-8,596</u>	<u>-7,706</u>

19. Government grants

During 2016 the Company received T.DKK 0 in public grants for research and development purposes (2015: T.DKK 278) which was recognized in the income statement as an offset against research and development costs. The Company has furthermore received T.DKK 1,746 in public grants for investments (2015: T.DKK 677) which are set off against the cost of the assets to which the grants relate.

20. Related parties

GomSpace ApS' related parties comprise GS Sweden 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 2,586 (T.DKK 951 in 2015), apart from management costs in note 4. Payables to shareholders amount to T.DKK 0 at 31 December 2016 (T.DKK 602 at 31 December 2015).

The Company had income of management fee, accounting and legal assistance to shareholders (with significant influence over the Company) at an amount of T.DKK 2,421 (T.DKK 0 in 2015).

Receivables from related parties amount to T.DKK 1,687 at 31 December 2016 (T.DKK 0 at 31 December 2015).

The Danish companies participate in joint taxation. GomSpace ApS, 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.

21. Events after the balance sheet date

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.