ANNUAL REPORT 2016 / 17

PROFILE

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

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

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

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

More specifically, Rovsing offers, inter alia, the following equipment and products:

- Power check-out equipment
- Spacecraft interface simulators
- Payload/system front-ends
- RF suitcases
- Instrument EGSEs
- Avionics test beds
- Real-time simulators

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

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

Rovsing also performs software testing, sub-supplier management and helpdesk support for European corporates in the space industry at various locations in Europe.

The main customers of Rovsing are all European and US-based space groups and their key sub-suppliers. The European Space Agency, ESA and various national space agencies in Europe are also among Rovsing's customers.

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HIGHLIGHTS OF THE YEAR

- Revenue growth of 46% from DKK 26.6 million in 2015/16 to DKK 39.0 million in 2016/17, which is Rovsing's highest revenue for the last six years
- Continued EBITDA improvement. Recording EBITDA of DKK 1.3 million, corresponding to an improvement of DKK 3.4 million, Rovsing achieved a positive EBITDA for the first time in six years
- The growth led to a significant increase in the capital tied up in working capital and resulted in significant pressure on the Company's liquidity position. As part of the funding of the Company's growth, Rovsing carried out a directed share issue amounting to DKK 4.1 million
- In 2016/17, a number of complex test- and simulation systems and standard products were delivered to customers, and Rovsing won new important S/W, ISVV and service contracts
- Rovsing continued its strategic transformation from focus on development of customer-specific solutions to being a supplier of standard products and system solutions based on Rovsing's own standard products. During the year, Rovsing delivered six Power SCOEs based on SAS modules and two SAS orders to third parties' SCOEs. In addition, Rovsing delivered more than 20 test and simulation systems based on DSTE products
- Within software development and ISVV, Rovsing consolidated its strong position by entering into a contract regarding responsibility for all ISVV activities for the MetOp-SG satellites. Rovsing also signed two new contracts for software development, which demonstrates that Rovsing's software competences are recognized internationally
- In the service business, Rovsing's competences were emphazised by the continuation of the service contracts for CSG in Kourou and for Airbus DS in Toulouse and Bremen

FINANCIAL HIGHLIGHTS AND RATIOS

INCOME STATEMENT	2012/13	2013/14	2014/15	2015/16	2016/17
DKK'000					
Revenue	14,961	15,567	19,636	26,632	38,968
Earnings before interest, taxes, depreciation and amortisation, EBITDA	-2,268	-3,389	-3,340	-2,120	1,260
Operating profit (EBIT)	-3,890	-6,810	-11,584	-13,772	-1,921
Financial income and expenses, net	-606	-324	-668	-347	-1,344
Profit/loss for the year	-4,512	-8,993	-10,940	-11,094	-2,675
BALANCE SHEET					
Non-current assets	48,510	47,144	42,325	28,511	25,741
Current assets	7,716	12,379	14,197	12,984	15,718
Total assets	56,226	59,523	56,522	41,495	41,459
Equity	39,538	34,949	27,064	16,326	18,217
Non-current liabilities	8,937	8,868	9,592	0	0
Current liabilities	7,751	15,706	19,866	25,169	23,243
Total equity and liabilities	56,226	59,523	56,522	41,495	41,459
CASH FLOW STATEMENT					
Cash flow from operating activities	-7,011	-3,644	959	5,116	-5,038
Cash flow from investing activities	-5,230	-6,065	-3,567	-5,780	-1,329
Cash flow from financing activities	10,641	9,927	3,319	-282	7,552
Total cash flow	-1,600	218	711	-946	1,185
KEY FIGURES					
EBITDA margin, %	-15.2	-21.8	-17.0	-8.0	3.2
EBIT margin, %	-26.0	-43.8	-59.0	-51.7	-4.9
Return on equity, %	-33.9	-24.4	-34.5	-47.5	-15.3
Earnings per share (EPS)	-0.03	-0.03	-0.04	-0.04	-0.01
Cash flow per share (CFPS)	-0.05	-0.04	-0.06	-0.06	-0.04
Dividends per share of DKK 0.05	-	-	-	-	-
Pay-out ratio, %	-	-	-	-	-
Equity per share, DKK	0.15	0.12	0.09	0.05	0.05
Solvency, %	70.3	58.7	47.9	39.3	43.9
Average number of shares (1,000 shares)	169,221	265,921	285,851	300,344	316,778
Number of share at year-end (1,000 shares)	262,482	283,119	299,511	302,011	333,212

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

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

CORPORATE INFORMATION

The Company

Rovsing A/S
Dyregårdsvej 2
2740 Skovlunde, Denmark

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

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

Board of Directors

Jørgen Hauglund (Chairman)
Karl Kristian Hvidt Nielsen
Greg Sims
Søren Anker Rasmussen

Executive Management

Christian Bank, CEO

Auditors

BDO Statsautoriseret revisionsaktieselskab
Birk Centerpark 30
7400 Herning, Denmark

Annual General Meeting

The annual general meeting will be held on 27 October 2017 at noon at Dyregårdsvej 2, 2740 Skovlunde, Denmark.

MANAGEMENTS' REVIEW

OPERATIONAL REVIEW

In the financial year 2016/17, Rovsing continued recent years' strong growth in revenue and EBITDA.

At DKK 39.0 million, Rovsing's revenue increased by DKK 12.3 million, or 46%, compared to the previous financial year. The Company's earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to DKK 1.3 million, which was an improvement of DKK 3.4 million compared to the previous year.

The profit/loss after tax improved by DKK 8.4 million from a loss of DKK 11.1 million in 2015/16 to a loss of DKK 2.7 million in 2016/17. The positive development is the combined result of several years' efforts to increase the Company's revenue and recent years' favourable market conditions.

The realised revenue and EBITDA of DKK 39.0 million and DKK 1.3 million, respectively were in line with the expectations announced by the Company in the interim financial statement for the first three quarters of the financial year 2016/17.

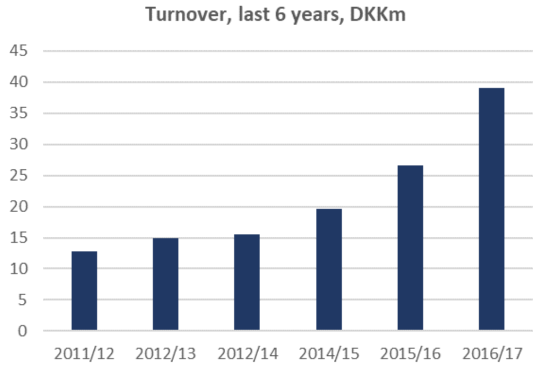
Management considers it a significant positive event that the Company in 2016/17 achieved the highest revenue, the first positive EBITDA and the best bottom line in the last six years, and Management considers it an important step towards more satisfactory profitability.

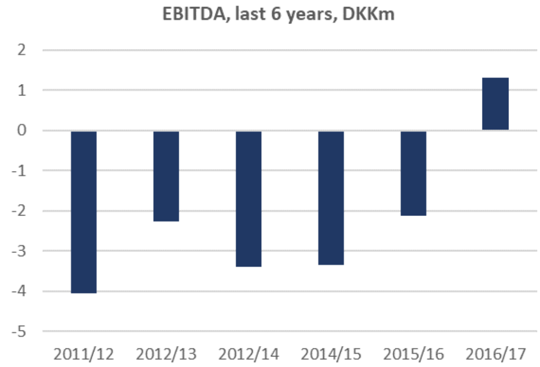
The European market

In the financial year 2016/17, Rovsing realised a large increase in the level of activity on the European market, which remains the most important market to Rovsing.

During the summer and fall of 2016, Rovsing delivered four SAS-based test systems to the European service module (ESM) to the NASA-ESA vehicle Orion MPCV. The ESM consortium later ordered a fifth system, to be delivered in the US. These were the first test systems that are solely based on Rovsing's own new unique SAS and MASC products.

During the winter 2016/17, Rovsing delivered a total of 16 DSTE-based satellite interface simulators (SIS) in four different configurations to the ESA JUICE mission. Among these systems, two were delivered to Israel and two to the US. These SIS systems were the first systems based on





Rovsing's own DSTE product family, which was acquired from SSBV in 2013.

Based on the same product family, in the winter 2016/17, Rovsing signed the DCIS/DH contract for ESA's ExoMars 2020 mission, which is an earlier contract that has been reactivated after the bankruptcy of SSBV Space & Ground, and a contract concerning delivery of Front End Electronics for Honeywell (GB) to the ESA / EUMETSAT program MetOp-SG.

In December 2015, Rovsing's partner within the product Digital Satellite Test Equipment (DSTE) product area, SSBV Space & Ground ("SSBV"), went into bankruptcy. Following the bankruptcy, it was necessary for Rovsing to invest in the DSTE business area to maintain the Company's ability to operate in this business area in a competitive way. In this connection, skilled staff was employed, contracts related to joints contracts with SSBV were renegotiated with the customers, and a new cooperation agreement was entered into with Celestia STS, which has acquired parts of the SSBV business.

Management believes that the conclusion and execution in 2016/17 of several DSTE contracts document that Rovsing's DSTE products are competitive and the customers are satisfied with Rovsing's technical competences within this areas.

In addition to successfully executing a number of system deliveries, Rovsing won a number of new contracts concerning software development, ISVV activities as well as prolongation of service contracts.

In December 2016, Rovsing achieved a contract for the MetOp-SG platform and SW ISVV. These contracts are proof of Rovsing's competences within ISVV. In February 2017, ESA awarded a co-financing for a development project, which is aimed at ensuring that Rovsing's ESGE software package is compatible with ESA's future ground software "common core" standards.

In May 2017, Astri Polska (PL) entrusted Rovsing with the task of developing the Man-Machine interface for MetOp-SG's RF SCOE. This activity will also positively impact the user friendliness of Rovsing's own EGSE software suite long-term.

In the beginning of 2017, Rovsing was awarded a prolongation of its CSG service contracts for 2017, and Rovsing initiated negotiations concerning CSG service contracts for the period 2018-2020.

Mid 2017, Rovsing entered into a contract with Airbus DS (Germany) about specific and ad-hoc technical support to COLUMBUS Ka Band Terminal Verification in Bremen, Germany.

In addition to the above, Rovsing's engineering service business has been stabilised owing to extensions of several contracts with CSG and Airbus DS.

A considerable part of Rovsing's activities on the European market is related to programmes which are managed and funded by the European Space Agency (ESA). ESA's activities and the number of new projects vary over time and have been at a significant level in recent years, which has been a great benefit to Rovsing.

It is Rovsing's assessment that the level of the ESA activities will continue its long-term increasing trend, although the number of new projects will be lower in 2017/18 than what has been the case in recent years, and this will most likely impact Rovsing's order intake and revenue in the next few years.

The US market

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

In a partnership with RT Logic, in January 2016 Rovsing entered into a sub-supplier contract regarding development and delivery of an electrical power test and simulation system for Boeing Space Systems. A joint pre-contract project comprising project analysis, requirement specification and scope definition has been impacted by delays and has resulted in a smaller but more well-defined and thus less risky project. In this connection, the project value has been reduced, primarily by eliminating certain relatively risky development tasks, which have been taken over by Boeing. In the financial year 2016/17, Rovsing generated revenue of DKK 516,000 from this contract.

Following the redefinition of the scope of the contract, Rovsing's deliveries primarily comprise standard products such as SAS and SLP products as well as standard software. The delivery to Boeing is expected to be finalised in the financial year 2017/18.

The Chinese market

During 2016/17, Rovsing has been in close contact with a Chinese partner in order to identify potential product and project customers.
In this connection, representatives from Rovsing addressed two industry conferences in Shanghai, in which connection Rovsing also presented an SAS and an SLP demo suitcase.

Product development and production

In the financial year 2016/17, following the newly approved SAS module and its portfolio of Power and Digital test products (SLP, MASC and DSTE) with adjoining software testing packages, Rovsing succeeded in establishing a stable product base and related logistics, production and testing environments. These products now are the foundation for Rovsing's test systems and were in 2016/17 a contributing factor underlying the realised revenue growth.

Following the delivery and completion in 2016 of a navigation software product for the Danish Defense Acquisition And Logistics Organization, Rovsing has evaluated the product's commercial market potential within the automobile industry and concluded that significant investments would be necessary in order to make the product commercially attractive. Taking into account the Company's focus on test systems and products, and the goal of improving the bottom line financial performance, Rovsing decided not to pursue this business line further.

As part of the efforts to secure Rovsing's ability to deliver according to plan and within budgeted prices, the Company focused in 2016/17 on improving its processes for delivery of test systems as well as standard products. This work is seen as progressing satisfactorily.

Capital increase of DKK 4.1 million

By way of a directed share issue executed in December 2016, Rovsing issued 30,201,094 new shares of nominal value DKK 0.05 each. The subscription price was DKK 0.135 per share, and the total amount raised was DKK 4.1 million.

Organisation and management

By the end of the financial year 2016/17, Rovsing employed a total of 39 employees, counted on a full-time-equivalent basis. Most employees were employed at the Company's head office in Skovlunde, Denmark, but the Company also has employees at several local destinations where they provide support services and consultancy services.

In November 2016, the Company's former CFO Dan Bång resigned from his position with Rovsing. As new CFO, the Company appointed Peter Rutzou-Hjelmkrone. As a subsequent event, following the end of the financial year 2016/17, Rovsing has appointed Sigurd Hundrup as new CFO. Sigurd Hundrup has significant financial and accounting experience from positions in several large Danish corporations.

In March 2017, Rovsing's chairman at the time Karl Kristian Hvidt Nielsen decided for personal reasons to step down from the position as chairman of the Board of Directors, while maintaining his seat on the Board. In that connection, Jørgen Hauglund was appointed chairman of the Board of Directors. Karl Kristian Hvidt Nielsen has since informed the Company that he will not seek reelection at the Company's annual general meeting in October 2017.

Incentive schemes

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

In the financial year 2016/17, a total of 1,800,000 new warrants were granted to members of the management team while a total of 1,000,000 warrants were exercised to the effect that the current net number of warrants outstanding increased by 800,000 warrants from 7,500,000 at the end of the financial year 2015/16 to 8,300,000 warrants at the end of 2016/17. For additional information about the Company's share based incentive schemes, please see note 7 to the financial statements on page 40.

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

ROVSING'S STRATEGY

In recent years, Rovsing has finalised significant investments in both product and business development. The acquisition and integration of the DSTE business from SSBV Space & Ground in the Netherlands and the successful development of the SAS and SLP products are examples of such investments.

As a result of these strategic investments, Rovsing has gained important new competences and expanded its product portfolio, which in turn has enabled Rovsing to target new markets and bid for projects in other segments of the space market that were previously not available to Rovsing. This market expansion has contributed to the strong growth in revenue that Rovsing has achieved in recent years. These new competences and expanded product portfolio are expected to continue to provide important contributions to Rovsing's growth and financial performance in the coming years. In continuation of the above positive development in the Company's business areas, Rovsing last year announced an updated strategy focusing on three main areas:

1. **Expand the product, system and service business in Europe**
   Rovsing will focus on expanding its customer base to include a broader range of clients in both the space and military sectors in Europe. This will be complimented by further establishing the market for the newly developed products, and consolidating the Company's existing engineering services and software verification (ISVV) activities, which are a cornerstone of the business. In parallel, Rovsing will continue to work on developing competences, employees and partnerships within these market sectors.

2. **Expansion of international business and main markets**
   The main international focus will be on the US and China. The business currently being undertaken in the US will be further strengthened by building on the existing cooperation with RT Logic Inc. (Rovsing's partner in the United States), and expanding its network of direct contacts within the US space market. This will be helped by the closing of the contracts with Lockheed-Martin and Boeing which creates a window of opportunity for the Company to further develop its US business while keeping risk within acceptable limits.

   In relation to the Chinese market Rovsing sees long-term opportunities, and in September 2016, Rovsing entered into a distributor agreement with the Chinese company KeLiang concerning KeLiang's distribution of Rovsing's Power SCOE products for satellite testing. This strategy of having distribution agreements with established local partners will form the basis of the Companies international business development.
   Other space and military markets such as Canada, South Africa, and Israel will be targeted by way of individual partnerships as and when Rovsing sees profitable business opportunities. In addition, markets that are being developed by commercial players (the so-called "Newspace" sector) will be reviewed to see if any viable commercial opportunities exist for the Company.

3. **Improve the efficiency of the product and system business**
   For all standard products and systems, Rovsing seeks to establish an efficient production line with respect to costs and quality. Rovsing does not plan to expand the production capacity for the Company's standard products but will strengthen the cooperation with selected sub-suppliers and focus own resources on the final integration, configuration and testing of products and systems.

Today, Rovsing's product portfolio comprises several products and technologies that are market leading and which constitute a strong basis for the Company's growth and profitability. Rovsing will on an ongoing basis ensure that the functionality and design of its standard products meet the market's demands and thereby seek to retain its strong position in relation to the cost efficiency and performance of its products.

When evaluating which products and technologies to focus its managerial and development resources on, Rovsing will carefully asses each product, technology and service in relation to the market trend, profit potential, growth potential and investment requirements, thereby ensuring the product portfolio is optimised in relation to the contribution to the value creation of Rovsing.

As stated above in the Management's Review, Rovsing is considering a capital increase in order to strengthen the Company's financial position. Management believes that a capital increase will be an important contribution to the Company's ability to exploit the opportunities in the market which Rovsing is well positioned to benefit from.

FINANCIAL REVIEW

INCOME STATEMENT

Revenue, costs and EBITDA

Revenue amounted to DKK 39.0 million in 2016/17, an increase of DKK 12.3 million, or 46%, on 2015/16 revenue. The Company thus continued the strong revenue growth recorded in 2015/16, when revenue rose by 36%.

Despite the revenue increase, production costs, external fell by DKK 0.8 million to DKK 10.4 million. The lower production costs, external reflect the fact that a significant part of the revenue increase was driven by the production and projects with a high proportion of in-house resource consumption rather than external services.

As a result, gross profit improved from DKK 15.5 million in 2015/16 to DKK 28.6 million in 2016/17.

Rovsing had no other operating income in 2016/17, whereas other income amounted to DKK 2.4 million in the preceding financial year. In 2015/16, other operating income consisted of grants for development work received from the Danish government in connection with a development project carried out in collaboration with the Danish Armed Forces.

Staff costs rose by DKK 8.0 million to DKK 22.7 million. The increase reflects the revenue growth and the fact that projects carried out in 2016/17 involved a relatively higher consumption of in-house resources for production and projects than in the preceding financial year.

The above development in revenue and costs led to an increase in earnings before interest, tax, depreciation and amortisation (EBITDA) of DKK 3,4 million, from DKK -2.1 million in 2015/16 to DKK 1.3 million in 2016/17.

Depreciation, amortisation and impairment amounted to DKK 3.2 million in 2016/17, against DKK 11.7 million in 2015/16. In 2015/16, in addition to usual depreciation and amortisation, an impairment loss of DKK 8.7 million was recognised on Rovsing's intangible assets linked to intellectual property rights pertaining to the DSTE product family. In 2016/17, an additional impairment loss of DKK 0.2 million was made on the DSTE product family.

Financial items

There was an adverse development in net financials in 2016/17 owing to a large increase in the funding requirement resulting from the large increase in funds tied up in working capital. In addition, financial expenses rose as a result of relatively high interest rates on various short-term loans that Rovsing obtained as partial funding of the cash outflow. Overall, net financial expenses rose from DKK 0.3 million in 2015/16 to DKK 1.3 million in 2016/17.

Profit/loss before tax

The Company recorded a loss before tax of DKK 3.3 million in 2016/17, which was an improvement of DKK 10.9 million on the year before. The development was due to the net impact of the DKK 3.4 million improvement in EBITDA, the DKK 8.5 million decrease in depreciation, amortisation and impairment and the DKK 1. 0 million increase in financial expenses.

Tax

Tax for the year amounted to an income of DKK 0.6 million in 2016/17, compared to an income of DKK 3.0 million in the preceding financial year. The tax consists of current tax (income) of DKK 0.2 million, which relates to reimbursement under section 8x of the Danish Tax Assessment Act (TAA) and adjustment of deferred tax (income) amounting to DKK 0.4 million. The tax asset amounts to DKK 4.2 million. Rovsing expects to be able to utilise the tax asset within the next five years.

Profit/loss for the year and comprehensive income

The Company reported a loss for 2016/17 of DKK 2.7 million, against a loss of DKK 11.1 million in the preceding financial year.

BALANCE SHEET

Assets

At the end of 2016/17, total assets amounted to DKK 41.4 million, against DKK 41.5 million at 30 June 2016.

Intangible assets amounted to DKK 20.9 million at 30 June 2017, down by DKK 2.2 million on 30 June 2016. The decrease was due to ordinary depreciation and amortisation of DKK 2.9 million and additional impairment losses on the DSTE product family. Of the total intangible assets, assets associated with developing the SAS product amounted to DKK 0.9 million for the financial year 2016/17 and DKK 12,6 million in total.

Deferred tax amounted to an asset of DKK 4.2 million, against DKK 3.8 million last year.

Inventories amounted to DKK 2.9 million, representing a year-on-year increase of DKK 2.9 million. The increase was primarily owing to production and stock-keeping of SAS modules, as production has been designed to provide swift customer deliveries and with due consideration to efficiency in producing large series.

At 30 June 2017, trade receivables and contract work in progress combined amounted to DKK 9.2 million, which was DKK 1.7 million less than last year.

Current assets, except cash, amounted to DKK 14.5 million, an increase from DKK 13.0 million at 30 June 2016.

Liabilities and equity

Equity amounted to DKK 18.2 million at 30 June 2017, against DKK 16.3 million at 30 June 2016. The increase in the equity was primarily due to the capital increase of DKK 4.1 million and the loss for the year of DKK 2.7 million.

The Company has no non-current liabilities, which is unchanged from last year.

The Company's funds tied up in working capital were strongly impacted by a total change of DKK 7.0 million in prepayments from customers and trade payables. At 30 June 2017, there were only minor customer prepayments, while funding from trade payables fell from DKK 4.1 million at 30 June 2016 to DKK 2.7 million at 30 June 2017. In the course of 2016/17, Rovsing failed to adequately focus on managing these key working capital components, which is why this will be a principal focus area in the current financial year.

Other payables amounted to DKK 8.0 million at 30 June 2017, against DKK 4.9 million a year earlier. The increase in this item was partly due to an increase in short-term loans from related parties. For additional information on related party transactions, see note 28 to the financial statements. Funding guaranteed by the Danish Export Credit Agency (EKF) increased by DKK 4.7 million compared to the previous financial year.

CASH FLOW STATEMENT

As described in the Management's review, Rovsing experienced a significant increase in the level of activity in the financial year 2016/17. However, this positive trend had an adverse effect on the Company's liquidity as described below.

For a number of large-scale projects, the contractual payment terms did not allow Rovsing to invoice customers concurrently with Rovsing incurring costs associated with the projects or to obtain prepayments. As a result, funding from the Company's customers in the form of prepayments was reduced from DKK 7.4 million at 30 June 2016 to DKK 0.4 million at 30 June 2017, with funding from trade payables also declining from DKK 4.1 million to DKK 2.7 million at 30 June 2017. The change in these items had a combined adverse impact on cash flow from operating activities of DKK 8,4 million.

In addition, cash flows from operating activities were adversely impacted by a DKK 2.9 million increase in funds tied up in inventories. Having completed the development of its SAS product in 2016, in 2016/17 the Company commenced production of SAS modules, and this production resulted in liquidity being tied up in inventories.

Total cash flows from operating activities were a net cash outflow of DKK 5.0 million in 2016/17, against a net cash inflow of DKK 5.1 million in the preceding year.

In addition to the negative impact on Company liquidity from operations, investments in fixed assets and product development caused an additional outflow of DKK 1.3 million so that the total net cash outflow from operating and investing activities amounted to DKK 6.4 million, against an outflow of DKK 0.7 million last year.

This cash outflow was covered by means of e.g. a loan guaranteed by EKF, which granted the Company a credit guarantee of DKK 5.0 million in August 2016. This loan is reserved for the funding of a specific project and is subject to a repayment schedule adjusted to the implementation of the financed project.

The Company's liquidity requirement was also partly covered by a capital increase in the form of a directed share issue, by which the Company received DKK 4.1 million, corresponding to an increase of 10% of the Company's share capital.

In addition to the above-mentioned loan and capital increase, the Company covered its remaining liquidity requirement by raising several short-term loans, including loans from related parties. For further information on related party transactions, see note 28 to the financial statements on page 51.

Funding of the company's operations

The tight liquidity situation during the 2016/17 financial year added substantial pressure on the Company's operations, reduced its operational maneuverability and resulted in an inexpediently strong focus on liquidity and reliance on short-term loans from related parties. This situation has continued into the current financial year.

In the current financial year, Management will focus on improving the Company's financial position, reducing funding costs and streamlining the funding structure.

One contribution is expected to be a noticeable tightening of working capital management, which in 2016/17 was a key factor behind the liquidity squeeze.

As another potential contribution, the Board of Directors will explore opportunities together with existing and potential new investors in the Company to carry out a capital increase, including the timing and scope of such a potential capital increase.

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

Should Rovsing carry out a capital increase, the contributed capital would be expected to be used partly to reduce the Company's inexpedient portfolio of short-term loans, partly for investing in commercial initiatives aimed at consolidating the Company's growth and competitiveness and as a general liquidity buffer. Reference is made to the section on the Company's strategy on page 9 and risk factors on page 17, which describes risk associated with the Company's liquidity.

Dividends.

The Board of Directors recommends to the annual general meeting that no dividend be declared in respect of the 2016/17 financial year.

Outlook for 2017/18

In light of the above developments and in particularly the expected level of ESA activity during the financial year 2017/18, management expects for the financial year 2017/18 a revenue of around DKK 32-36 million and an EBITDA of around DKK 0-2 million.

EVENTS AFTER THE REPORTING PERIOD

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

SIGNIFICANT ACCOUNTING ESTIMATES

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

SHAREHOLDER INFORMATION

Rovsing's shares are listed on Nasdaq OMX Copenhagen and traded under the abbreviation ROV and ISIN code DK0060049542. The Company's share capital has a total nominal value of tDKK 16,660 and is divided into 333,212,047 shares of DKK 0.05 each. No shares carry any special rights.

Outstanding shares	No. of shares
Beginning of year	302,010,953
Issuance of new shares upon exercise of warrants	1,000,000
Share issue	30,201,094
End of year	333,212,047

SHARE PRICE

The highest and lowest prices of Rovsing shares in 2016/17 were DKK 0.29 and 0.14, respectively. At the end of the financial year, the share price was DKK 0.19. At 30 June 2017, Rovsing had a market capitalisation of DKK 43.3 million.

SHARE LIQUIDITY

The average daily turnover in 2016/17 was 99,079 shares with an average of 16 transactions per day.

SHAREHOLDERS

At 30 June 2017, Rovsing had a total of 3,791 registered shareholders. 95.0 % of the shares in Rovsing are registered in the name of the holder. The table below shows the composition of Rovsing's shareholders.

Shareholders	No. of shares	%
Mediuminvest	25,771,044	7.73
CATPEN A/S	25,528,982	7.66
Other shareholders	281,912,021	84.61
Total	333,212,047	100.0

EMPLOYEE SHARES

No employee shares were granted in 2016/17.

WARRANT SCHEMES

In the period until 31 October 2020, the Board of Directors is authorised to issue warrants for board members and/or employees. The Board of Directors may issue warrants with a nominal value up to DKK 600,000 in the Company, corresponding to 12,000,000 warrants of DKK 0.05 each.

In the financial year, the Board of Directors agreed on a warrant incentive programme with CEO Christian Bank totalling 7,500,000 warrants of DKK 0.05 each. The vesting of warrants is based on Christian Bank's employment with the Company; 2,500,000 warrants vest after 12 months' employment, another 2,500,000 warrants vest after 24 months' employment and, finally, another 2,500,000 warrants vest after 36 months' employment.

In the financial year, the former CEO, Julian Bott, received 2,500,000 warrants of DKK 0.05 each, which he exercised in full, and the Company issued new shares in that connection.

DIVIDEND POLICY

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

AUTHORITIES GRANTED TO THE BOARD OF DIRECTORS

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

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

FINANCIAL REPORTING TO SHAREHOLDERS

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

ANNUAL GENERAL MEETING

The annual general meeting of Rovsing will be held on 27 October 2017 at noon at the Company's premises at Dyregårdsvej 2, DK-2740 Skovlunde. The general meeting shall be convened by the Board of Directors not more than five weeks and not less than three weeks before the general meeting by publication of an announcement to NASDAQ OMX Copenhagen, on the Company's website www.rovsing.dk and by e-mail to shareholders recorded in the register of shareholders who have so requested.

AMENDMENTS TO ARTICLES OF ASSOCIATION

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

SHAREHOLDER INFORMATION

FINANCIAL CALENDAR

22 September 2017, publication of annual report for 2016/17.

27 October 2017, Annual General Meeting regarding financial year 2016/17.

17 November 2017, publication of interim report for Q1 2017/18.

16 February 2018, publication of interim report for H1 2017/18.

11 May 2018, publication of interim report for Q3 2017/18.

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

ISSUED COMPANY ANNOUNCEMENTS

2017-08-24 Announcement no 262 - CFO Change

2017-07-14 Announcement no 261 - Finance Calendar 2017/2018

2017-05-23 Announcement no 260 - Change capital of large Shareholder

2017-05-19 Announcement no 259 – Q3 2016/2017 periodical report

2017-05-04 Announcement no 258 - New major Shareholder

2017-05-04 Announcement no 257 - Change capital of large Shareholder

2017-05-01 Announcement no 256 – Large Stockholder change in amounts of shares

2017-04-19 Announcement no 255 – New Chairmen of the Board in Rovsing A/S

2017-04-07 Announcement no 254 – Rovsing A/S issues new shares in connection with exercised warrants

2017-04-05 Announcement no 253 – Correction: Cash Flow Statement in the interim report for the first half year 2016/2017

2017-03-17 Announcement no 252 - Rovsing signs new contract with ESA Software DESI-CC

2017-03-07 Announcement no 251 - Rovsing signs two new Contracts

2017-02-24 Announcement no 250 - Half Year Report 31 December 2016

2017-01-02 Announcement no 249 – New large shareholder in Rovsing A/S

2016-12-15 Announcement no 248 – Announcement of two new major contracts

2016-12-05 Announcement no 247 – Announcement of a successful capital increase (directed share issue)

2016-11-28 Announcement no 246 - Rovsing expects to raise DKK 4 million in a directed share issue

2016-11-18 Announcement no 245 – Q 1 2016/2017 periodical report

2016-10-26 Announcement no 244 - Reporting pursuant to Section 28a of the Danish Securities Trading Act

2016-10-26 Announcement no 243 – Articles of association of the company for Rovsing A/S

2016-10-26 Announcement no 242 – Minutes of the general meeting

2016-10-21 Announcement no 241 - Rovsing delivers the first Distributed Simulation & Test Environment Systems (DSTE) to Airbus DS

2016-10-05 Announcement no 240 – Notice re. Ordinary General Meeting

2016-09-30 Announcement no 239 – Large shareholder announcement

2016-09-30 Announcement no 238 - Reporting pursuant to Section 28a of the Danish Securities Trading Act

2016-09-23 Announcement no 237 – Finance Calendar 2016/17

2016-09-23 Announcement no 236 – Annual Report 2015/2016

2016-09-14 Announcement no 235 - Rovsing enters into an agreement with a distributor covering the Chinese market

2016-08-05 Announcement no 234 – Rovsing signs an agreement for deliveries of SAS modules to the MetOp-SG satellite program

REGISTRAR

Computershare A/S
Kongevejen 418
DK-2840 Holte

INVESTOR RELATIONS CONTACT

CEO Christian Bank
Tel: +45 44 20 08 82
E-mail: cbk@rovsing.dk

CORPORATE GOVERNANCE

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

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

Certain of recommendations with which the Board of Directors has resolved not to comply are described below. For a full report on the status of the Company's compliance with the recommendations, please refer to the corporate governance report published on Rovsing's website under "Investor Relations" and "Corporate Governance". http://www.rovsing.dk/uploads/File/Investor/CorporateGovernance2014_15.pdf. (in Danish only)

Recommendation regarding election of vice-chairman

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

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

According to section 3.1.4 of the recommendations, the Company's articles of association are to stipulate a retirement age for members of the Board of Directors. Rovsing's articles of association stipulate no such retirement age, and the Board of Directors does not find it necessary to introduce such a limit as it attaches great importance to the experience of its members and finds that a reasonable age composition and renewal can be achieved without any provisions to that effect in the articles of association. The oldest member of the current Board of Directors is Søren Anker Rasmussen, who was born in 1949.

Recommendation regarding board committees

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

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

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

Recommendation regarding remuneration in the form of share options

According to section 4.1.3 of the recommendations, the remuneration of the Board of Directors should not include share options. The Board of Directors has not yet proposed that such options be issued, but finds that issue of options to board members may contribute to aligning the interests of shareholders and board members, and that options may therefore constitute a relevant form of remuneration to board members.

MANAGEMENT AND ORGANISATION

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

Pursuant to the Company's articles of association, the Board of Directors must be composed of three to seven members. The Board of Directors is currently composed of four members, elected for a term of one year. The aim is for the Board of Directors to be composed of persons who possess the necessary skills for performing their duties and have an in-depth understanding of the Company's business affairs. In this respect, the Board of

Directors considers the following skills to be important: Insight into the institutional and commercial aerospace market, experience in development, manufacturing and sale of advanced test equipment, experience in international project sales and the related legal aspects, and management experience from a listed company.

The Board members' shareholdings through controlled companies and/or held personally are set out on pages 52.

The remuneration of the Board of Directors for 2016/17 was unchanged at DKK 100,000. The Chairman receives 200% of the basic fee.

On 19 April 2017, Karl Kristian Hvidt Nielsen resigned as Chairman of Rovsing's Board of Directors for personal reasons. As its new Chairman, the Board elected Jørgen Hauglund, who was born in 1960 and joined the Company's Board of Directors in October 2015.

The remuneration of the Executive Management consists of a fixed salary and incentive programmes in the form of a cash bonus and warrants. The weighting of the individual remuneration elements is intended to support the Company's positive performance in the short and long term. The cash bonus is performance-based relative to the annual budget to promote the Executive Management's focus on both revenue and costs. The vesting of warrants is based on the CEO's employment with the Company and is described in more detail in note 7 to the financial statements.

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

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

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

On 5 April 2017, Rovsing announced that the Company's interim report for the first half year 2016/17, which was published on 24 February 2017, contained a material misstatement in the Company's cash flow statement. As a consequence of this misstatement, the Company has subsequently tightened the quality control related to the preparation of its financial statements.

CORPORATE SOCIAL RESPONSIBILITY

Rovsing has not adopted any policies for corporate social responsibility.

ENVIRONMENT

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

GENDER COMPOSITION

The Company aims to promote diversity in the Company, including to achieve a reasonable representation of both genders on the Board of Directors. The Board of Directors aims for its members to complement each other in the best possible way with respect to age, background, nationality, gender, etc. with a view to ensuring a qualified and versatile contribution to the board activities in the Company. However, the nomination of candidates will always be based on an assessment of the capabilities of the individual candidate and how they match the needs of the Company. The target is to ensure representation of at least 25% of both genders on the Board of Directors in 2019.

RISK FACTORS

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

RISKS RELATED TO THE COMPANY

The Company's earnings expectations are subject to considerable uncertainty

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

Liquidity risk

The Company's liquidity position constitutes a risk to Rovsing's financial stability and its operations in general. The Company has previously had to rely on related parties and former related parties' willingness to provide funding in the form of short-term loans and to postpone payment of certain operating costs to ensure the Company's ability to pay operating costs in general, make the necessary investments and satisfy other debt obligations. At 30 June 2017, the loans from related parties amounted to DKK 2.6 million. In the current financial year, the Company's reliance on such short-term loans from related parties and former related parties has continued.

As described in the Management's review, Management expects that a capital increase in the current financial year will enable the Company to stabilise its liquidity position, repay amounts owed to related parties and former related parties, and thereby safeguard the Company's financial stability. However, there is a risk that such capital increase cannot be implemented.

Until a capital increase or another more permanent improvement of the Company's funding situation has been established, the Company is likely to be dependent on the willingness of related parties and former related parties to provide funding to enable the Company to meet its cash requirements. However there can be no assurance that such parties will continue to provide funding as and when required.

The consequence of any of the above risk factors may constitute a risk to Rovsing's financial stability, operations and market value.

Liquidity problems due to late payment by customers

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

The Company is dependent on a few large customers

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

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

DSTE products may be defective or information on DSTE business incomplete

There is a risk that the acquired products contain hidden defects and/or that they are not fully developed, and that this may involve increased development costs and/or that Rovsing may face defects claims from customers.

Technological developments may impair the Company's competitiveness

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

Tenders may be unsuccessful

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

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

Lack of contract opportunities due to fully allocated return quota

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

Risk of infringement of intellectual property rights

Rovsing's products are developed from scratch, and Rovsing has been informed by SSBV that the same applies to the acquired products from SSBV. In spite of this, there is a risk that the products will infringe third party rights, including patent rights. Such infringement may involve substantial claims from the rightsholders and/or cause rightsholders to obtain injunctions against supply of the products containing the infringing material, which may materially affect Rovsing's results.

Fixed-price contracts may involve losses

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

Insufficient insurance cover

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

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

Wrong assessment of market penetration time and demand in new markets

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

Trade restrictions may impact future business

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

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

The Company's strategy is initially to accumulate market knowledge, technical skills and marketing skills in the global aerospace market, primarily through recruitment at the board, management, engineer and sales level. When entering new market areas, the headcount will increase with a resulting risk that capacity adjustment problems may arise. The original agreement on knowledge transfer in connection with the acquisition of rights from the business partner SSBV Space & Ground had not been completed when they went bankrupt. In order to complete both the knowledge transfer and joint projects, Rovsing entered into collaboration with Celestia STS and hired specialised employees to undertake the maintenance and further development of DSTE products.

The Company may need to attract additional staff resources with deeply specialised skills to maintain and further develop the products to which Rovsing acquired the rights from the Netherland-based SSBV.

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

The Company is dependent on key persons

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

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

Unsatisfactory contribution margins of products and services may impact results

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

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

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

In its annual report for 2016/17, Rovsing capitalised development costs and product rights totalling DKK 20.9 million and a tax asset of DKK 4.2 million. There is a risk that the products developed cannot be sold to the extent expected and/or that the Company does not generate a profit in the coming financial years, and that the capitalised development costs, product rights and/or tax asset will be written off in connection with future financial statements. Such a scenario will affect Rovsing's results and balance sheet.

Exchange rate risk

In the space industry, the Company's contracts are primarily concluded in EUR. As the Danish krone is pegged to the euro, the exchange rate risk in this connection is considered to be low. However, exchange rate risk may occur as the Company expands its activities if contracts are concluded in other currencies, including in USD.

INDUSTRY-SPECIFIC RISK

Competitors may drive the Company out of the market

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

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

Aerospace market may be affected by ESA membership

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

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

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

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

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

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

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

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

Complaint costs

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

MANAGEMENT STATEMENT

The Board of Directors and the Executive Management today considered and adopted the annual report of Rovsing A/S for the financial year 1 July 2016 to 30 June 2017. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and Danish disclosure requirements for listed companies. The Management's review is also presented in accordance with Danish disclosure requirements for listed companies.

We consider the accounting policies applied to be appropriate. Accordingly, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 30 June 2017 and of the Company's activities and cash flows for the financial year 1 July 2016 to 30 June 2017.

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

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

Skovlunde, 22 September 2017

Executive Management

Christian Bank (CEO)

Board of Directors

Jørgen Hauglund (Chairman)

Søren Rasmussen

Greg Sims

Karl Kristian Hvidt Nielsen

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Rovsing A/S

Opinion
We have audited the Financial Statements of Rovsing A/S for the financial year 1 July 2016 to 30 June 2017, which comprise income statement, aggregate income statement, balance sheet, statement of changes in equity, cash flow statement, notes and a summary of significant accounting policies. The Financial Statements are prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 June 2017, and of the results of the Company operations and cash flows for the financial year 1 July 2016 to 30 June 2017 in accordance with the International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

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.

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

Key Audit Matters
Key Audit Matters are those matters that, in our professional judgment, were the most significant in our audit of the Financial Statements for the financial year 2016/17. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of intangible fixed assets, including impairment test
The carrying amount of intangible fixed assets is DKK 20.9 m and is subject to significant estimates. Reference is made to the Financial Statements, page 27 in the balance sheet, page 37, note 2 "Intangible fixed assets", and page 33 "Accounting policies".

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

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

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

Valuation of deferred tax asset
The carrying amount of deferred tax asset is DKK 4.2 m and is subject to significant estimates. Reference is made to the Financial Statements, page 27 in the balance sheet, page 37, note 2 "Deferred tax", and page 33 "accounting policies".

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

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

- We have examined the budgets prepared by Management, including the key assumptions included in the budgets.
- We have verified the intrinsic numerical coherence of the budgets prepared.
- We have verified that estimates of the Company's future tax profits, included in the model, are based on reasonable and provable assumptions that represent Management's best estimate.
- We have assessed the adequacy of additional information in the Financial Statements relating to additional information on the valuation of deferred tax asset.

Statement on Management's Review
Management is responsible for Management's Review which is presented on pages 2 – 20 of the Annual Report.

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

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

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

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

Management's Responsibilities for the Financial Statements
Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the EU and additional disclosure 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 Financial Statements
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

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

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

Herning, 22 september 2017

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Steen Pedersen
State Authorised Public Accountant

INCOME AND COMPREHENSIVE INCOME STATEMENT

Note	INCOME AND COMPREHENSIVE INCOME STATEMENT	2016/17	2015/16
	DKK'000		
3	Revenue	38,968	26,632
	Production costs, external	-10,411	-11,162
	Gross profit/loss	28,557	15,470
4	Other operating income	0	2,351
5	Other external expenses	-4,606	-5,231
6, 7	Staff costs	-22,691	-14,710
	Operating profit before depreciation and amortisation (EBITDA)	1,260	-2,120
8, 9	Depreciation, amortisation and impairment	-3,181	-11,652
	Operating profit/loss (EBIT)	-1,921	-13,772
10	Financial income	30	229
11	Financial expenses	-1,373	-576
	Profit/loss before tax	-3,264	-14,119
12	Tax on profit/loss for the year	590	3,025
	Net profit	-2,675	-11,094
	Comprehensive income	-2,675	-11,094
	Allocation of profit/loss:		
	Shareholders of Rovsing A/S	-2,675	-11,094
	Transferred from share premium	0	0
	Retained earnings	-2,675	-11,094
13	**Earnings per share**		
	Earnings per share (EPS Basic)	-0.01	-0.04
	Earnings per share (EPS-D)	-0.01	-0.04

BALANCE SHEET

Note	BALANCE SHEET, ASSETS	2016/17	2015/16
	DKK'000		
	Non-current assets		
	Intangible assets		
14	Completed development projects	19,240	20,925
14	Patents and licences	1,681	2,201
14	Development projects in progress	0	0
		20,921	23,126
	Property, plant and equipment		
15	Other fixtures and fittings, tools and equipment	414	62
		414	62
	Other non-current assets		
	Tax	206	1,507
16	Deferred tax	4,199	3,816
		4,406	5,323
	Total non-current assets	25,741	28,511
	Current assets		
	Inventories	2,889	31
17	Trade receivables	2,647	5,188
18	Contract work in progress	6,538	5,676
	Tax	1,508	835
	Other receivables	498	615
	Prepaid expenses	446	633
	Cash	1,192	6
	Total current assets	15,718	12,984
	TOTAL ASSETS	41,459	41,495

BALANCE SHEET

Note	BALANCE SHEET, EQUITY AND LIABILITIES	2016/17	2015/16
	DKK'000		
19	**Equity**		
	Share capital	16,661	15,100
	Reserves for development costs	938	0
	Retained earnings	618	1,226
	Total equity	18,217	16,326
	Current liabilities		
	Credit institutions	7,205	8,490
	Funding guaranteed by EKF	4,650	0
18	Prepayments, customers	417	7,377
	Trade payables	2,719	4,108
20	Other payables	8,002	4,896
21	Provisions	250	298
	Total current liabilities	23,243	25,169
	Total liabilities	23,243	25,169
	TOTAL EQUITY AND LIABILITIES	41,459	41,495

STATEMENT OF CHANGES IN EQUITY

Note	STATEMENT OF CHANGES IN EQUITY				
	DKK'000				
	2015/16	SHARE CAPITAL	RESERVES FOR DEVELOP-MENT COSTS	RETAINED EARNINGS	TOTAL
	Equity at 1 July 2015	14,976	0	12,088	27,064
	Comprehensive income for the period				
	Comprehensive income	0	0	-11,094	-11,094
	Total comprehensive income for the period	0	0	-11.094	-11,094
	Other transactions				
	Issue of new shares upon exercise of warrants	125	0	0	125
	Costs of issuing new shares	0	0	-10	-10
	Warrant programme	0	0	297	297
	Trading in treasury shares, net	0	0	-55	-55
	Total transactions with owners	125	0	232	356
	Equity at 30 June 2016	15,100	0	1,226	16,326

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

CASH FLOW STATEMENT

Note	CASH FLOW STATEMENT DKK'ooo	2016/17	2015/16
	Profit/loss for the year	**-2,675**	**-11,094**
	Adjustment for non-cash operating items etc.:		
9	Depreciation, amortisation and impairment	3,181	11,652
26	Other non-cash operating items, net	447	298
10	Financial income	-30	-229
11	Financial expenses	1,373	576
12	Tax on profit/loss for the year	-590	-3,025
	Cash flows from operations before changes in working capital	1,707	-1,822
27	Change in working capital	-6,235	5.798
	Cash flow from operations	-4,428	3,976
	Interest receivable	30	229
	Interest payable	-1,373	-576
	Tax reimbursement	834	1,486
	Cash flow from operating activities	-5,038	5,115
14	Acquisition of intangible assets	-938	-6,850
	Received development subsidies	0	1,118
15	Acquisition of property, plant and equipment	-390	-48
	Cash flow from investing activities	-1,329	-5,780
	Debt raised	4,650	0
	Repayment of debt with credit institutions	-1,285	-427
	Capital increase, net proceeds from issue	4,077	115
	Trading in treasury shares, net	0	-53
	Warrants, employees	110	0
	Trading in shares etc.	0	84
	Cash flow from financing activities	7,552	-281
	Net cash flow for the period	1,185	-946
	Cash, beginning of year	6	952
	Cash, end of year	**1,192**	**6**

OVERVIEW OF NOTES TO THE FINANCIAL STATEMENTS

NOTES

NOTE 1. ACCOUNTING POLICIES

The annual report for 2016/17, which comprises the Company's financial statements, has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and additional Danish disclosure requirements for listed companies.
The accounting policies are consistent with those applied in 2015/16.

The annual report is presented in DKK.

Relevant new accounting standards

The annual report is presented in accordance with the standards (IFRS/IAS) and interpretations (IFRIC) applicable for financial years beginning on 1 July 2016 or later.

Rovsing A/S has adopted the following amended standards and interpretations from 1 July 2016.

Amendments to IAS 1 Disclosure Initiative was published in December 214 and clarifies that entities are able to use judgements when presenting their financial statements.
Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation was published in May 2014. The amendments provide additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated.
Annual improvement to IFRSs 2012-2014 cycle covering 4 standards, from September 2014.
The adoption of the amended standards and interpretations has not had a significant impact on recognition or measurement in the financial statements for 2016/17 and is not anticipated to have a significant impact on the future periods.

New standards and interpretations not yet adopted

The IASB has issued a number of new amended standards and interpretations that are not mandatory for the financial statements for 2016/17. Some of which have not yet been endorsed by the EU. Rovsing A/S expects to adopt the standards and interpretations when they become mandatory. None of these are expected to have a significant impact on recognition and measurement, but may lead to further disclosures in the notes.
IFRS 15 – Revenue from Contracts with Customers was published in May 2014 and established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The standard requires extensive disclosures. The standard is effective for annual periods beginning on or after 1 January 2018.
During 2017 we have evaluated the five step model framework on our current revenue streams and have not identified any significant effect on recognition and measurements. However it is expected that disclosure requirements will increase.
IFRS 16 – Leases. For lessee, the distinction between finance and operating leases will be removed. In the future, operating leases must be recognised in the balance sheet with an asset and a corresponding lease commitment. The standards takes effect in 2019 and is expected to increase the balance sheet total, but is not expected to have significant effect on profit & loss and cash flow statement.
IFRS 9 – Financial instruments. The number of categories of financial assets is reduced to 3: amortised cost category, fair value through other comprehensive income category or fair value through the income statement category.
Simplified rules regarding hedge accounting are introduced and impairment of receivables must be based on expected loss. The standard comes into force in 2018 and is not expected to have a significant effect on the financial statements.

Foreign currency translation

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

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

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

NOTES

Revenue

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

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

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

Production costs, external

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

Other operating income

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

Other external costs

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

Warrants

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

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

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

Rental and lease matters

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

Financial income and expenses

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

Tax

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

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

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

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

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

Intangible assets

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

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

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

NOTES

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

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

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

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

Impairment of intangible assets

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

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

Property, plant and equipment

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

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

Software is measured at cost less accumulated depreciation.

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

Impairment of property, plant and equipment

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

Inventories

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

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

Receivables

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

Contract work in progress

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

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

Prepayments

Prepayments comprise costs incurred relating to subsequent financial years.

Pension obligations

Contributions to defined contribution plans are expensed as incurred.

NOTES

Other provisions

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

Current liabilities

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

Deferred income

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

Cash flow statement

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

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

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

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

Cash and cash equivalents comprise deposits with banks.

NOTES

NOTE 2. ACCOUNTING ESTIMATES AND JUDGMENTS

Intangible assets

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

The carrying amount of completed development projects is DKK 19.2 million (2015/16: DKK 20.9 million).

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

Contract work in progress

Contract work in progress and ongoing service contracts include non-invoiced services with a value of DKK 6.5 million (2015/16: DKK 5.7 million), which is recognised on the basis of an assessment of the percentage of completion of the delivered service. This assessment is based on the value of fees calculated using standard hourly rates. The fee value is adjusted to match the value calculated according to an estimated percentage of completion. This is part of the ongoing financial management process, and previously made estimates of the percentage of completion are regularly followed up, which reduces uncertainty associated with the calculation of the percentage of completion. See note 18.

Funding in 2017/18

As described in note 22 "Financial risks and instruments" under "Liquidity risk", the Company's liquidity reserve is modest relative to the expected cash flow from operations in 2017/18.

In 2017/18, the existing short-term funding facility provided by Jyske Bank as well as project related funding from EKF, Denmark's Export Credit Agency, are expected to be part of the Company's funding structure.

As described in the Financial review, Management expects to carry out a capital increase in the current financial year to enable the Company to stabilise its liquidity position, repay amounts owed to related parties, and thereby safeguarding the Company's ability to fund further growth and development projects.

Deferred tax

Rovsing recognises deferred tax assets, including the value of tax-loss carry forwards, if Management considers it likely that there will be sufficient taxable income in future. This assessment is based on budgets and business plans for the coming years and is inherently subject to a high degree of uncertainty. See note 16.

NOTES

3 REVENUE

DKK'000	2016/17	2015/16
Invoiced revenue, sale of services	31,146	27,678
Work in progress, beginning of year	4,795	-3,730
Work in progress, end of year	5,835	4,795
Change in work in progress	1,040	1,065
Accrual of sales, beginning of year	881	-794
Accrual of sales, end of year	703	881
Change in accrued sales	-178	87
Customer advances, beginning of year	-7,377	-5,180
Customer advances, end of year	-417	-7,377
Change in customer advances	6,960	-2,197
Revenue, sale of services	38,968	26,632

Revenue for the year and previously year consists exclusively of exports

4 OTHER OPERATING INCOME

DKK'000	2016/17	2015/16
Grants	0	2,351
Total other operating income	0	2,351

5 EXPENSES FOR AUDITORS APPOINTED BY THE GENERAL MEETING

DKK'000	2016/17	2015/16
Audit of financial statements	191	198
Audit fee for other services	23	0
	214	198

NOTES

6 STAFF COSTS

DKK'000	2016/17	2015/16
Wages and salaries	20,192	12,627
Pension contribution	319	157
Other social security costs	1,361	1,208
Share-based payment	379	298
Other staff costs	440	420
	22,691	14,710

The item includes:		
Remuneration of the Executive Management	1,320	1,769
Share-based payments, Executive Management	303	298
Pension to the Executive Management	0	12
Remuneration of the Board of Directors	500	608
Share-based payments, Board of Directors	0	0
Average number of full-time employees	38	30

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

The service contract with the CEO may be terminated by the CEO giving six months' notice and by the Company giving 12 months' notice. The CEO will automatically retire when he reaches the age of 65.

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

7 SHARE-BASED PAYMENT

Rovsing A/S has a warrant incentive programme for the Company's CEO. The programme comprises a total of 7,500,000 warrants. Each warrant entitles the holder to buy one share of DKK 0.05 each in Rovsing A/S. The outstanding warrants equal 2.3% of the share capital if all warrants are exercised. The vesting of warrants is based on the CEO's employment with the Company; 2,500,000 warrants vest after 12 months' employment, another 2,500,000 warrants vest after 24 months' employment and, finally, another 2,500,000 warrants vest after 36 months' employment. The warrants are issued with an exercise price of DKK 0.05 each.

Other employees has been granted 1,800,000 warrants during the year 2016/2017 where 1,000,000 warrants has been exercised in 2016/2017 at an exercise value at DKK 0,14 per warrant.

In 2016/17, the cost recognised in the income statement relating to warrants is tDKK 379 (2015/16: tDKK 298).

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

NOTES

Specification of outstanding warrants:

	Executive Management	Other employees	Total	Exercise price per warrant	Fair value per warrant
Number of exercisable options:					
Outstanding at 1 July 2016	7,500,000	0	7,500,000	0.05	0.09
Granted in 2016/17:	0	1,800,000	1,800,000	0.05	0.20
Exercised	0	-1,000,000	-1,000,000	0.14	-
Lapsed	0	-		-	-
Outstanding at 30 June 2017	**7,500,000**	**800,000**	**8,300,000**		**0.20**

8 RESEARCH AND DEVELOPMENT COSTS

DKK'000	2016/17	2015/16
Research and development costs incurred	938	6,850
Development costs recognised as intangible assets	-938	-6,850
Amortisation and impairment of recognised development costs	2,623	1,125
Development costs for the year recognised in the income statement	2,623	1,125

9 DEPRECIATION, AMORTISATION AND IMPAIRMENT

DKK'000	2016/17	2015/16
Amortisation, completed development projects	2,623	1,125
Amortisation, patents and licenses	322	1,752
Impairment, patents and licenses	198	8,724
Depreciation, other fixtures and fittings, tools and equipment	38	51
	3,181	11,652

10 FINANCIAL INCOME

DKK'000	2016/17	2015/16
Exchange rate adjustments	30	210
Value adjustments, securities at fair value	0	8
Realised gain, sale of securities	0	11
	30	229

NOTES

11 FINANCIAL EXPENSES

DKK'000	2016/17	2015/16
Interest, banks, etc.	1,274	458
Exchange rate adjustments	99	118
	1,373	576

12 TAX ON PROFIT/LOSS FOR THE YEAR

DKK'000	2016/17	2015/16
Current tax	206	1,537
Deferred tax	383	1,488
Tax on profit/loss for the year	590	3,025
Computed tax of profit/loss before tax	22.0 %	22.0 %

	2016/17	2015/16
Tax on profit/loss for the year is explained as follows:		
Computed tax 22% of profit/loss before tax for the year	718	3,097
Tax effect of:		
Other non-deductible costs	-128	-102
Insufficient tax allocation, section 8x of TAA for 2014/15	0	30
Tax for the year	590	3,025

13 EARNINGS PER SHARE

DKK'000	2016/17	2015/16
Profit/loss for the year	-2,675	-11,094
Average number of issued shares (1,000)	316,778	300,344
Earnings per share, (EPS Basic), of DKK 0.05 each	-0.01	-0.04

NOTES

14 INTANGIBLE ASSETS

2016/17	Patents and licences	Completed development projects	Develop-ment projects in progress	Total
DKK'000				
Cost at 1 July 2016	22,350	28,291	0	50,641
Additions	0	0	938	938
Cost at 30 June 2017	22,350	28,291	938	51,579
Reclassification	0	938	-938	0
Development grants received		0	0	0
Cost at 30 June 2017	22,350	29,229	0	51,579
Amortisation and impairment at 1 July 2016	-20,149	-7,366	0	-27,515
Amortisation	-322	-2,623	0	-2,945
Impairment	-198	0	0	-198
Amortisation and impairment at 30 June 2017	-20,669	-9,989	0	-30,658
Carrying amount at 30 June 2017	1,681	19,240	0	20,921

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

At 30 June 2017, Management performed an impairment test of the carrying amount of intangible assets. Assets are written down to the lower of the recoverable amount and the carrying amount. The recoverable amount in this year's test is based on the value in use of the expected cash flow on the basis of budgets and forecasts for the future.

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

The impairment test of the carrying amount of the DSTE rights (patents and licenses) resulted in a total impairment of tDKK 198. The test is based on budgets and estimates for 17/18 and 18/19, an expected remaining useful life of 7 years and a discount rate of 7%. The weighted average growth rate applied to extrapolate the expected future net cash flows for the years after 30 June 2020 is estimated at 2%.

NOTES

2015/16	Patents and licences	Completed development projects	Development projects in progress	Total
DKK'000				
Cost at 1 July 2015	22,350	14,117	18,542	55,009
Additions	0	1,200	5,650	6,850
Cost at 30 June 2016	22,350	15,317	24,192	61,859
Reclassification	0	24,191	-24,191	0
Development grants received		-11,215	0	-11,215
Cost at 30 June 2016	22,350	28,294	0	50,644
Amortisation and impairment at 1 July 2015	-9,673	-6,241	0	-15,914
Amortisation	-1,752	-1,125	0	-2,877
Impairment	-8,724	0	0	-8,724
Amortisation and impairment at 30 June 2016	-20,149	-7,366	0	-27,515
Carrying amount at 30 June 2016	2,201	20,925	0	23,126

15 PROPERTY, PLANT AND EQUIPMENT

2016/17	Other fixtures and fittings, tools and equipment	Total
DKK'000		
Cost at 1 July 2016	217	217
Additions during the year	390	390
Disposals at cost	0	0
Cost at 30 June 2017	607	607
Depreciation and impairment at 1 July 2016	-155	-155
Depreciation for the year	-38	-38
Disposals	0	0
Depreciation and impairment at 30 June 2017	-193	-193
Carrying amount at 30 June 2017	414	414

The Company does not hold assets under finance leases.

NOTES

16 DEFERRED TAX

	2016/17	2015/16
Deferred tax asset at 1 July	-3,816	-2,328
Change in deferred tax for the year	-383	-1,488
Writedown of tax asset pursuant to expected realisation (3-5 years)	0	0
Deferred tax asset at 30 June	-4,199	-3,816

Deferred tax in the Company is specified as follows:

DKK'000	2016/17	2015/16
Intangible assets	3,199	5,449
Property, plant and equipment	-28	-60
Current assets	3,589	1,903
Prepaid grants	0	-2,467
Tax loss carry-forwards	-15,986	-13,668
Non-recognised share of tax asset	5,027	5,027
Deferred tax asset at 30 June	-4,198	-3,816

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

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

17 RECEIVABLES

DKK'000	2016/17	2015/16
Trade receivables	2,647	5,188
Writedowns to cover losses	0	0
	2,647	5,188
Other receivables	499	615
	3,146	5,803
Overdue receivables for which no writedowns have been made to cover losses:		
Due within 1-30 days	2,151	1,785
Due within 30-90 days	496	3,403
Due after 90 days	0	0
	2,647	5,188

NOTES

Carrying amount of receivables by currency:	2016/17	2015/16
DKK	0	0
EUR	2,647	5,188
	2,647	5,188

18 CONTRACT WORK IN PROGRESS

DKK'000	2016/17	2015/16
Contract work in progress, selling price	60,414	29,442
Invoiced contract work in progress	-54,293	-31,143
	6,121	-1,701
recognised as follows:		
Contract work in progress (assets)	6,538	5,676
Prepayments, customers (liability)	417	7,377
	6,121	-1,701
Contract work in progress at cost	44,102	22,494

19 EQUITY

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

The Company's solvency ratio stood at 42.0 at 30 June 2017 (30 June 2016: 39.3).

Share capital	2016/17	2015/16
Development in no. of shares (1,000)		
No. of shares, beginning of year	302,010	283,118
Issue of new shares	30,201	18,892
Exercise of warrants	1,000	0
No. of shares, end of year	333,212	302,010
Share capital, DKK'000	16,661	15,100

NOTES

The share capital is divided into 333,212,000 shares (2015/16: 302,010,953 shares) with a nominal value of DKK 0.05 each.
The shares are fully paid up, and no shares carry any special rights. No shares are subject to restrictions on transferability or voting rights.

In April 2017, the share capital was increased by DKK 110,000 nominal value or 1,000,000 shares of DKK 0.11 each in connection with the exercise of warrants.

20 OTHER PAYABLES

	2016/17	2015/2016
Staff costs	4,019	2,705
Loans, related parties	2,623	1,005
Other accrued expenses	1,359	1,183
	8,002	4,893

21 PROVISIONS

	2016/17	2015/16
Provisions at 1 July 2016	298	298
Provisions made during the year	-48	0
Provisions at 30 June 2017	250	298
Which break down as follows:		
Non-current liabilities	0	0
Current liabilities	250	298
	250	298

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

NOTES

22 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

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

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

Foreign currency risk

Most of the Company's contracts are invoiced in EUR or USD. As the Danish krone is pegged to EUR, the Company's EUR risk is considered minimal. Risk attaching to USD is assessed in an ongoing process, as a result of which in 2016/17 the Company did not use financial instruments to hedge its foreign currency risk. The Company monitors developments in EUR/USD/DKK and regularly assesses whether to hedge its exposure to EUR and USD.

Foreign currency exposure:

	Nominal position	
	Cash and receivables	Financial liabilities
EUR/DKK	3,737	0
EUR/USD	0	0
GBP/DKK	0	0
	3,737	**0**

Interest rate risk

The Company had net payables to credit institutions of DKK 11.8 million at 30 June 2017. The debt carries a floating interest rate based on the money market rate. Interest rates paid in 2016/17 ranged from 4% to 6%.

Based on recognised financial assets and liabilities at 30 June 2017, without considering repayments, loans raised and the like in 2016/17, a 1% increase in interest rates would raise the Company's expenses by DKK 0.1 million. A 1% decline in interest rates would result in a correspondingly lower interest expenses.

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

Liquidity risk

Significant, unforeseen liquidity fluctuations are primarily associated with the commercial risks referred to in the section "Risk factors" and breaching of milestones in contracts. The Company aims to have sufficient cash resources to allow it to operate adequately in case of unforeseen fluctuations in liquidity. The Company regularly assesses its cash resources relative to budgets and forecasts for cash flows in future periods. The Company's liquidity reserve, consisting of cash and unutilised credit facilities, is modest relative to the expected cash flows in 2016/17. In 2017/18, the Company expects to continue to use export guarantees to fund certain projects. It should be noted that export guarantees are granted on a project by project basis and there can be no assurance that future projects may obtain export guarantee funding.

NOTES

Credit risk

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

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

Historically, the Company has not incurred major losses on trade receivables, but in connection with the bankruptcy of the collaboration partner SSBV Space and Ground BV the Company wrote down a receivable of total TDKK 586.

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

2017/18 DKK'000	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total	Carrying amount
Cash	1,192			1,192	1,192
Trade receivables	2,647			2,647	2,647
Other receivables (current)	2,007			2,007	2,007
Other receivables (non-current)		206		206	206
Total loans and receivables	**5,846**	**206**		**6,052**	**6,052**
Credit institutions, floating rate	-11,855			-11,855	-11,855
Trade payables	-2,719			-2,719	-2,719
Other payables	-8,002			-8,002	-8,002
Financial liabilities, measured at amortised cost	**-22,576**			**-22,576**	**-22,576**

NOTES

2015/16 DKK'000	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total	Carrying amount
Cash	6			6	6
Trade receivables	5,188			5,188	5,188
Other receivables (current)	1,418			1,418	1,418
Other receivables (non-current)		1,537		1,537	1,537
Total loans and receivables	**6,612**	**1,537**		**8,149**	**8,149**
Credit institutions, floating rate	-8,829			-8,829	-8,829
Trade payables	-4,108			-4,108	-4,108
Other payables	-4,893			-4,893	-4,893
Financial liabilities, measured at amortised cost	**-17,830**			**-17,830**	**-17,830**

23 CONTINGENT ASSETS AND LIABILITIES

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

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

24 COLLATERAL

A floating charge in the amount of DKK 9.25 million has been issued as collateral for credit facilities with a credit institution. The floating charge comprises a charge on goodwill and rights pursuant to the Danish Patents Act, the Danish Trademarks Act, the Danish Design Act, the Danish Utility Models Act, the Danish Registered Designs Act, the Danish Copyright Act and the Danish Act on Protection of the Topographies of Semiconductor Products. Furthermore, the floating charge comprises tools, inventories and unsecured claims arising from the sale of goods and services. The total carrying amount of the floating charge was DKK 26.9 million at 30 June 2017.

NOTES

25 OPERATING RENTAL AND LEASE COMMITMENTS

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

In 2016/17, DKK 1.4 million (2015/16: DKK 1.4 million) was recognised in the income statement regarding operating leases.

Rent obligations	2016/17	2015/16
DKK'000		
Due within 1 year	1,115	1,115
Due between 1 and 5 years	2,970	4,085
Due after 5 years	0	0
	4,085	5,200

Other commitments	2016/17	2015/16
DKK'000		
Due within 1 year	210	210
Due between 1 and 5 years	557	767
Due after 5 years	0	0
	767	977

26 NON-CASH TRANSACTIONS

DKK'000	2016/17	2015/16
Provisions	0	0
Financial items	0	0
Share-based payment	379	298
	379	298

27 WORKING CAPITAL CHANGES

	2016/17	2015/16
Receivables	-993	-435
Current liabilities	-5,242	6,233
Development grants offset against cost	0	-11,215
	-6,235	-5,417

NOTES

28 RELATED PARTY TRANSACTIONS

The Company has no related parties with a controlling interest.

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

- 7.73 % Medium Invest
- 7.66 % CAPTEN A/S

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

The Company has signed a lease concerning its premises with a company controlled by Søren Anker Rasmussen (board member), for which the rent in 2016/17 amounted to TDKK 1,120 (2015/16: TDKK 1,115). Reference is made to note 25 for details on the rent obligation. At 30 June 2017, the Company owed rent of TDKK 701, which is included in the Balance sheet under Other payables.

During the year, the Company has had a loan on market terms with Søren Anker Rasmussen. At 30 June 2017, the loan, including interest, amounted to TDKK 530. At 30 June 2017, the Company also had a loan on market terms and costs payable to the Company's CEO Christian Bank totalling TDKK 2,412.

The Company has not settled board remuneration payable in respect of 2015/2016 totalling TDKK 300, which is included in the Balance sheet under Other payables.

BOARD OF DIRECTORS

JØRGEN HAUGLUND (BORN 1960)

Elected to the Board of Directors in 2015. Took over the chairmanship in April 2017. Will stand for re-election at the annual general meeting in October 2017.

Position: Managing director of Hacon ApS.

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

Main directorships:

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

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Shareholding at 30 June 2016: 0 shares.

Shareholding at 30 June 2017: 0 shares .

SØREN ANKER RASMUSSEN (BORN 1949)

Chairman of the Board of Directors until March 2008. Re-elected to the Board of Directors in 2012. Will stand for re-election at the annual general meeting in October 2017.

Educational background: MSc in engineering, 1975, from the Technical University of Denmark.

Søren A. Rasmussen co-founded Rovsing A/S in 1992. He served as CEO of the company in 1992-2000 and in the period 1 March 2008 to 1 November 2014. Over a period of more than 25 years, Søren A. Rasmussen has built in-depth knowledge of and a network within the European space industry. The space industry is the Company's largest and most important market. Søren A. Rasmussen has also helped found and develop the business of several information technology companies.

General manager of the following companies:

- Søren A. Rasmussen ApS
- Dyregårdsvej 2 ApS
- SCI Bois de la Gineste
- SARL SAR Exploitation

Shareholding at 30 June 2016: 30,403,986 shares (26,506,871 shares via Søren A. Rasmussen ApS, 1,119,337 shares personally, and 2,777,778 shares via Dyregårdsvej 2 ApS).

Shareholding at 30 June 2017: 1,119,337 shares .

KARL KRISTIAN (KALLE) HVIDT NIELSEN (BORN 1964)

Elected Chairman of the Board of Directors in 2015. Board member since 2013. Will not stand for re-election at the annual general meeting in October 2017.
Position: CEO DPA Microphones

Main directorships:

- Mita Teknik A/S (member of the board of directors)
- Mita-Teknik Invest A/S (member of the board of directors)

Previous directorships

- Esko Artworks (member of the board of directors)
- Various directorships in a number of global subsidiaries during his position as CEO of Bang & Olufsen A/S (2008-2011)
- Various directorships in a number of global subsidiaries during his position as CEO of Brüel & Kjær A/S (2001-2008)
- Various directorships in a number of subsidiaries during his position as CEO of Topsil Semiconductor

Throughout his career, Kalle Hvidt Nielsen has worked intensively with development, production and international sales of high-technology products and solutions. Especially during his time at Brüel & Kjær, which also sells products and solutions for the global aerospace and defensce industry, including the space industry, did Kalle Hvidt Nielsen build knowhow and strategic experience in areas of great relevance to Rovsing. He is therefore well equipped to assist Rovsing with strategic input and advice on the future business development.

Shareholding at 1 July 2015: 555,556 shares.

Shareholding at 30 June 2016: 555,556 shares.

GREG SIMS (BORN 1953)

Elected chairman in 2012 but became an ordinary board member in February 2015. Will not stand for re-election at the annual general meeting in October 2017.

Greg Sims has more than 35 years' experience within the space industry. In 1984, he formed Satellite Services BV, a company focused on the development and delivery of systems for testing satellites. Prior to founding Satellite Services B.V. Greg worked for the Radio Corporation of America and then at the ESA's European Space Research and Technology Centre (ESTEC) in the Netherlands for ten years. He has in-depth knowledge of the space industry, including the procurement of capital for development projects for satellites and related programmes. Gres Sims now work as an independent consultant for a number of companies and investors in the space industry.

Shareholding at 1 July 2016: 67,604,137 shares.

Shareholding at 30 June 2017: 0 shares.

DEFINITION OF RATIOS

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

GLOSSARY

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

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