Rovsing

ANNUAL REPORT 2019 / 20

PROFILE

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

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

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

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

More specifically, Rovsing offers, the following equipment solutions:

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

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

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

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

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HIGHLIGHTS OF THE YEAR

- The financial year 2019/20 was in line with the guided expectations (Announcement no. 302), with a revenue amounting to DKK 21,8 million, compared to a revenue of DKK 28,1 million in 2018/19, corresponding to a decrease of DKK 6,3 million

- The EBITDA amounts to DKK -0,9 million compared to DKK 0,3 million in 2018/19

- Net cash flows from operating activities amounts to DKK 5,4 million in 2019/20 compared to DKK 0 in 2018/19, primarily driven by improved working capital

- The development in revenue and EBITDA for the financial year 2019/20 is linked with a poor development in revenue and negative EBITDA in H1 of 2019/20 (H1: revenue of DKK 9,4 million and an EBITDA of DKK -1,8 million), caused by the difficult finalization of the strategic important and substantial project in Turkey, T6A EPS EGSE and the delayed kick-off of new ESA driven projects. In H2 of 2019/20 the capture and kick-off of new projects with a normalized gross margin has led to a positive development in both revenue and EBITDA in H2 of 2019/20 compared to H1 (H2: revenue of DKK 12,4 and an EBITDA of DKK 0,9 million)

- In 2019/20, Rovsing has continued to support its Customers as an important key supplier on major ongoing ESA missions, delivering test- and simulation systems, individual products, software solutions, ISVV and on-site engineering services

- In the financial year 2019/20, Rovsing has been able to capture critical core business opportunities in an otherwise lower level ESA market activity, securing important wins on the PLATO and SMILE missions

- In line with the Company's strategy, increased focus on emerging markets and market diversification leveraging our core competencies has continued. In 2019/20 the Company has invested large effort in providing proposals and quotations for upcoming major European missions and opportunities in North America and emerging markets

- It is Rovsing's assessment that the European institutional market is in the early stages of a higher activity level which will continue for the coming years with many upcoming missions: six Copernicus High Priority Candidate Missions (HPCM), Galileo Next Generation, Mars Sample Return (MSR), ARIEL and FORUM to name a few

- With the completion of 2019/20, the Company has concluded important steps of the strategy launched in March 2018, marking a turning point. Important strategic projects have been finalized, and new vital missions have been captured. With a higher activity level in general in the Space industry and with a solid current order intake, a strong basis for 2020/21 has been established, with several opportunities for future growth while maintaining a balanced cost structure

- Based on the above assumptions, the revenue outlook for 2020/21 is expected to be in the range of DKK 26 to 28 million, with a positive EBITDA in the range of DKK 2 to 3 million

FINANCIAL HIGHLIGHTS AND RATIOS

INCOME STATEMENT	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
DKK’000					
Revenue	26,632	38,968	25,127	28,184	21,836
Earnings before interest, taxes, depreciation and amortisation, EBITDA	-2,120	1,260	-4,513	341	-863
Operating profit (EBIT)	-13,772	-1,921	-7,722	-2,929	-5,322
Financial income and expenses, net	-347	-1,344	-1,553	-767	-1,188
Profit/loss for the year	-11,094	-2,675	-9,912	-4,040	-6,810
BALANCE SHEET					
Non-current assets	28,511	25,741	23,268	20,209	17,997
Current assets	12,984	15,718	12,634	14,265	9,248
Total assets	41,495	41,459	35,902	34,474	27,245
Equity	16,326	18,217	18,210	18,560	11,423
Non-current liabilities	0	0	4,000	4,080	386
Current liabilities	25,169	23,243	13,692	11,834	15,437
Total equity and liabilities	41,495	41,459	35,902	34,474	27,245
CASH FLOW STATEMENT					
Cash flow from operating activities	5,116	-5,038	-11,032	11	5,372
Cash flow from investing activities	-5,780	-1,329	-1,578	-1,040	-259
Cash flow from financing activities	-282	7,552	11,561	1,109	-5,069
Total cash flow	-946	1,185	-1,049	81	44
KEY FIGURES					
EBITDA margin, %	-8.0	3.2	-18.0	1.2	-4.0
EBIT margin, %	-51.7	-4.9	-30.7	-10.4	-24.4
Return on equity, %	-47.5	-15.3	-39,1	-18.0	-28.8
Earnings per share (EPS)	-0.04	-0.01	-0.03	-0.01	-14,9
Cash flow per share (CFPS)	-0.06	-0.04	-0.04	-0.01	-5,7
Dividends per share of DKK	-	-	-	-	-
Pay-out ratio, %	-	-	-	-	-
Equity per share, DKK	0.05	0.05	0.04	0.04	25.0
Solvency, %	39.3	43.9	50.7	53.8	41.9
Average number of shares (1,000 shares)	300,344	316,778	380,140	429,844	458
Number of shares at year-end (1,000 shares)	302,011	333,212	404,854	457,881	458

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

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

CORPORATE INFORMATION

The Company

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Dyregårdsvej 2
2740 Skovlunde, Denmark

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

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

Board of Directors

Michael Hove (Chairman)
Flemming Hynkemejer
Ulrich Beck
Steen Rosenkvist

Executive Management

Hjalti Pall Thorvardarson, CEO
Sigurd Hundrup, CFO

Auditors

BDO Statsautoriseret revisionsaktieselskab
Birk Centerpark 30
7400 Herning, Denmark

Annual General Meeting

The annual general meeting will be held on 19 October 2020 at 16:00 at Dyregårdsvej 2, 2740 Skovlunde, Denmark.

MANAGEMENTS' REVIEW

OPERATIONAL REVIEW

At DKK 21,8 million, Rovsing's revenue decreased with DKK 6,3 million, compared to the previous financial year. The Company's earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to DKK -0,9 million, compared to the previous year DKK 0,3 million.

Tax for the year was DKK -0,3 million compared to DKK -0,3 million previous year.

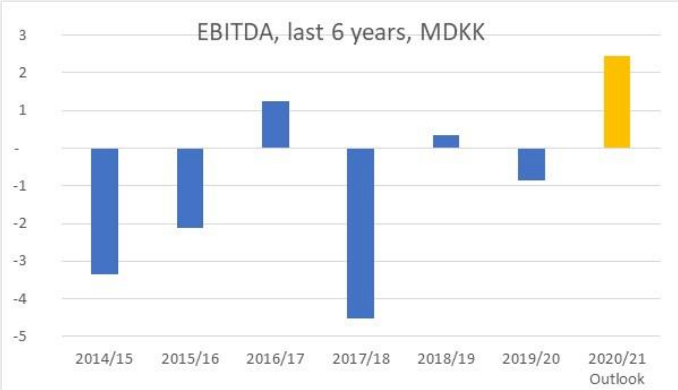
The profit/loss after tax was DKK -6,8 million from a loss of DKK -4,0 million in 2018/19.

The realised revenue and EBITDA of DKK 21,8 million and DKK -0,9 million, respectively were in line with the guidance to the market during the financial year announced by the Company in the interim financial statement for the last quarters of the financial year 2019/20.

The development in revenue, EBITDA and profit and loss for the financial year 2019/20 has a direct link to a poor development in revenue and negative EBITDA in H1 2019/20, caused by finalization of the T6A EPS EGSE and the delayed kick-off of new ESA driven projects. While H2 2019/20 saw the capture and kick-off of new projects with a normalized gross margin, boosting revenue and positive EBITDA in H2, despite the challenges of COVID-19 pandemic. Rovsing has handled effectively the pandemic situation with remote work and an active business continuation plan ensuring a continuous evaluation of the business based on supply chain, internal resources, project progress and governmental guidelines.

Management views the development from H2 onwards as positive, with solid current order book and order intake pointing to higher market activity compared to prior years. H1 performance was poor but the lessons learned during the difficult H1 and longer-term strategic benefits of the T6A EPS EGSE project provide a milestone reference for Rovsing's future markets and business development.

In line with the Company's strategy, focus on growth and diversification will continue from increased activities in European commercial & military programmes as well as maintained focus on the USA and emerging markets, leveraging our core competencies.



The European market

The European institutional market remains the most important market to Rovsing and in 2019/20, the Company has invested large effort in providing proposals to the major European Prime contractors in their efforts to bid for the many upcoming missions, 6 Copernicus High Priority Candidate Missions (HPCM), Galileo Next Generation, Mars Sample Return (MSR) Earth Return Orbiter (ERO), ARIEL and FORUM to name a few.

It is Rovsing's assessment that the European institutional market is in the early stages of a higher activity level which will continue for the coming years. The ESA Ministerial Conference in November 2019 marked a key political milestone to launch these large programmes and secured the budget contributions from the member states with many nations committing record high figures. The Danish contribution remains on par with previous years, a decision which is perceived as non-satisfactory given the ambitions and capabilities of the industry. However, Rovsing still remains well positioned in the market.

In the financial year 2019/20, Rovsing has been able to capture critical core business opportunities in an otherwise lower level ESA market activity. Hence, having secured the win of ESA's **PLA**netary **T**ransits and **O**scillations of stars (PLATO) programme SIS PFE and EPS SCOE for TAS-UK and the SMILE PLM EGSE for Airbus DS, is in line with the Company strategy, building on past years investment in the competitiveness of Rovsing EGSE offerings and associated products while expanding the market reach.

These efforts and investments were developed and implemented as part of the execution of the Turksat-6A Electrical Power Subsystem (EPS) EGSE which was delivered December 2019 and commissioned successfully in January 2020. The T6A EPS EGSE project was a strategic investment into a new market and improvement of our EGSE portfolio by increasing standardization of the systems and utilized products. Unfortunately, the project consumed excessive resources in the final phase, where the Rovsing team had to manage challenges with non-compliant EMC performance of COTS items procured from external vendors and integrated into the EGSE. These issues were all solved successfully in cooperation with the vendors, but the additional effort and delays affected H1-2019/20 negatively. The T6A EPS EGSE is among the biggest single shipments Rovsing has performed with 13x different EGSE racks, 8x harness and accessories containers and 2 Euro pallets, amounting to more than 8.5 metric tons of equipment. The realization of the project also marks several investments in the standardization of our building block approach for Power EGSE systems, investments the Company can utilize on future missions.

Rovsing was selected by TAS-UK as vendor of the Satellite Interface Simulator (SIS) Power Front-Ends (PFE) for PLATO in August 2019, the project completed the Design Review in autumn 2019 and delivered 3 of 4 systems successfully during H2 2019/20. Each SIS PFE set uses the Rovsing Second Level Protection (SLP) together with a number of Rovsing Latching Current Limiters (LCLs) hosted in PFEs and controlled with the Rovsing EGSE Controller SW Suite. The fourth system delivery is expected in August 2020, bringing the total delivered HW to roughly 500kg of Rovsing products.

ESA, with prime contractor Airbus DS, is providing the European Service Module (ESM) with power, propulsion and life support functions to NASA's Orion spacecraft that will send astronauts to the moon and into deep space as part of the Artemis programme. Rovsing remains a vital supplier for the programme with the delivery of the fourth Solar Array Wing Front-End (SAW FEE) to Airbus DS in Bremen October 2019. The SAW FEE will be used to qualify the upcoming ESMs. The ESM programme will continue for years to come and Rovsing has provided extension quotations and proposals for additional systems, spares and for the programme support service contracts for the SAW FEEs and also previously delivered PCDU EGSEs.

In November 2019, Rovsing was selected by customer Airbus DS Spain and ESA to deliver the SMILE Payload module (PLM) Electrical Ground Support Equipment (EGSE). SMILE is a joint science mission between Chinese Academy of Sciences (providing the service and propulsion module) and European Space Agency (providing the payload). SMILE mission aim is to increase our understanding of the connection between the dynamic interaction of the solar wind with the Earths magnetosphere. The Critical Design Review (CDR) for the PLM EGSE was successfully completed in February 2020, with the Test Readiness Review in July the project remains on track for delivery in the autumn of 2020.

In December 2019, Rovsing won the tender for the PLATO Electrical Power Subsystem (EPS) SCOE for TAS-UK and ESA. The PLATO EPS SCOE provides a test suite of hardware and software for supporting satellite assembly, integration and verification by means of Solar Array simulation, Deployment simulation, Battery simulation and conditioning, Load simulation and Umbilical launch support. The PLATO EPS SCOE is based on Rovsing key products such as the RO-5100 SAS Module, Ro-1010 and RO-1100 SLP Modules, RO-2000 range MASC products as well as the Rovsing EGSE Controller SW Suite. Work started in January 2020 under PATP and by the end of 2019/20, the team had completed the Preliminary Design Review (PDR) and was underway with the submission of the CDR data package.

Rovsing continued with ISVV work for the MetOp-SG platform and instruments in 2019/20. The ISVV work is planned to run until end of Q1 2021 following delays at the customer in 2019/20

The ESA SW development project related to the European Ground Systems Common Core (EGS-CC) has laid dormant for most of 2019/20 due to delays in the programme which meant that Rovsing's work has only been able to continue with low intensity.

With the longstanding background expertise with refurbishments for Copernicus and Galileo programmes, Rovsing proposed and was awarded a study by ESA in February 2019 for evaluating the feasibility of reusing existing ESA owned EGSE for new applications with refurbishment and tailoring. Work on the study has been mostly dormant in 2019/20 due to lack of inputs availability from ESA and the Primes.

Further in 2019/20 in the field of refurbishments Rovsing performed evaluation, repair and requalification of equipment used for Galileo for customer SSTL. In addition, C-STS procured an additional Discrete FrontEnd for Galileo S-Band RF Suitecase which was delivered in April 2020.

Rovsing together with CRITICAL Software S.A. from Portugal, has been working on the adaption and update of ESA's ISVV processes to current software development practices. This activity has been increased in activity by request of ESA and is expected to be finalized during the course of 2020/21.

The SETTERS and CSG service contracts continued in 2019/20 for end customer CNES with Rovsing teams deployed in Toulouse and Kourou. The ESQS part of the Kourou activity came to an end in December 2019 and will not continue. The SETTERS programme has had delays attributed to COVID-19 and other challenges and therefore will be extended with full coverage to Rovsing for the additional duration.

The North American market

Rovsing's activities on the US market have mainly been related to support on delivered systems as well as submission of various product quotations and system proposals.

Rovsing proceeded throughout the year to explore further opportunities with North American customers and responding to tenders. Due to COVID-19, the planned customer and trade show visits to North America in 2020 were cancelled.

As a supplier of various EGSE to the European Service Module (ESM) for the Orion Crew Capsule, Rovsing remains a vital partner for the Artemis missions planned in the coming years with the aim of bringing humans back to the Moon.

The overall North American market for commercial, military, and civil space remains a growth opportunity of strategic focus for the Company.

Emerging space markets

By delivering on the contract for Turksat 6A EPS EGSE, Rovsing has developed a strong competitive position in emerging and ambitious space markets with their indigenous space programmes. Those markets are closely monitored with their increasing space budgets.

Rovsing has worked actively on prospects and bids to capture market opportunities for products and EGSE systems with organizations in both South-Korea and South America during the course of 2019/20 and provided quotations to these parties which remain under evaluation.

During 2019/20, Rovsing has not had major focus on opportunities in the Chinese market due to the escalating trade situation between the USA and China and the impacts of COVID-19 on opportunities for travel and participation in industry conferences. Moving forward, if the situation improves between USA and China then Rovsing will again increase focus on the Chinese market. In the meantime, Rovsing continues to monitor Chinese space market segments.

Product development and production

In the financial year 2019/20, Rovsing continued to improve the product base and related logistics, production and testing environments. Management sees time and cost-effective production and testing as a vital part of the foundation for Rovsing's test systems and product offerings and to secure Rovsing's ability to deliver according to plan, quality and within budgeted prices.

New product developments are part of Rovsing's strategic roadmap, with focus on building increased scalability such that our already modular products can be better address the widening range of satellite architectures. Traditionally, our product range is aimed at larger institutional and commercial satellites with high capability and power needs. Anticipating the increased focus on diverse deployments in the space segment, Rovsing's development roadmap accommodates scaling down to smaller satellites and constellations as well as scaling up to higher power demands called upon by electrical propulsion enabled satellites and larger manned missions.

Reverse share split

In November 2019, the nominal value of the shares in Rovsing was changed from a nominal value of DKK 0,05 each to a nominal value of DKK 50 each by way of a reverse stock split in the ratio 1,000:1 . The reverse share split was decided on the Ordinary General Meeting held 21 October 2019.

Organisation and management

By the end of the financial year 2019/20, Rovsing employed a total of 23 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 in Kourou, French Guiana, Toulouse, France and in Bremen, Germany where they provide support and consultancy services.

At the Company's annual general meeting in October 2019 Michael Hove, Flemming Hynkemejer and Ulrich Beck were reelected to the Board of Directors, while Steen Rosenkvist was elected as new member succeeding Jakob Have.

COVID-19

The COVID-19 pandemic has been a major disruption event in both personal and professional lives of all. At Rovsing an active business continuity plan to address the COVID-19 situation was invoked to ensure continuous evaluation of the business based on supply chain, internal resources, progress and governmental guidelines.

In Denmark the government initiated a number of comprehensive measures in order to contain the spread of COVID-19. Management closely monitored the situation and remain prepared to take any immediate action necessary to stay agile and responsive. All employees that were not directly part of the production team, were during the height of the pandemic instructed to work from home. With video conferencing, chat and emails the team managed to keep the productivity high in order to meet project milestones and EGSE deliveries.

There have been no COVID-19 cases within our team or with the steps taken, where our workflow has been severely impacted by delay or disruption. Management continues to monitor the situation and take appropriate actions to minimize any potential business impacts moving forward.

Incentive schemes

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

At the end of the financial year 2019/20 there were 58,300 warrants. For additional information about the Company's share-based incentive schemes, please see note 6 to the financial statements on page 40-41.

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

ROVSING'S STRATEGY

With the new management in 2018 and with support from the renewed Board of Directors, the Company has embarked on a turnaround process, starting with a focus on laying the groundwork, by bringing down the overall cost base, adapting the organization and sharpening the competitiveness of the Company. These process improvements are in effect as can be seen in the improved key figures.

Management and the Board of Directors have continued the iterative strategic work based on the foundation of the strategic plan, maintaining a focus on the next steps and future growth opportunities along the Company's development path towards strengthening its position as a key agile high-tech SME in the Space & Defense Industry. Rovsing's mission is to provide our customers with the innovative test and simulations products and systems they require, for supporting their critical path, which is constantly challenged by the need to reduce time-to-operation cycles.

An Agile and Customer focused High-Tech SME

Rovsing has an established track record, being involved as reliable supplier in almost every major European Institutional Space programmes in the past decade. The Company is positioned as a first or second tier supplier to all European Large-Scale Integrators (LSIs/OEMs).

Rovsing has operated as a classical technology and customer driven SME. Our customers from Space Agencies and Institutions to LSIs act in a dynamic and challenging high-tech environment. Rovsing has the expertise to provide first class products and services to ensure seamless performance for our customers critical systems and infrastructure. Our customers are to a large extent requirements and process driven and have difficulties with swiftly adapting and anticipating challenges. Herein lays Rovsing's asset, being an agile, dynamic expert, we can anticipate, react and create solutions in hours or days which would normally bind our customers for weeks or months.

With best-in-class services, cost-effective and efficient products and systems, we evoke customer satisfaction and trust. By continuing our R&D focus and anticipating the technical developments and challenges, which our customers face now and in the years to come, we are able to center our product developments at the heart of their critical path in test and simulation capabilities.

Skills and Expertise

Rovsing is driven by the expertise and engagement of our employees, this is the core of the Company. In the turnaround process our core has never been more challenged nor been more important. Streamlining and reducing cost across all segments also requires intense involvement and engagement from the employees. This means not only going the extra mile to ensure our customers satisfaction but also leaving no idea of improvement unheard.

Rovsing's success is based on the talent of the employees and we strive to make the working environment agile, providing flexibility to our employee's needs. We maintain a high level of trust that the same flexibility flows back to ensure we overcome the challenges at hand and that the commitment to improve and grow as both engineers and as a Company, is a shared vision between the entire staff.

Strengthening our Strategic position and Growth

Rovsing has successfully performed a wide range of contracts and activities. This, together with a track record and reputation provides a baseline to ensure and expand the Company's competitive position in a strong competitive market environment, driven by time-to-market, cost structure and quality. Rovsing must continuously work on improving our basis of quality and competitiveness.

Our marketplace is a rapidly growing global market. Ongoing investment cycles require Rovsing to establish solid and growing footprints beyond the European institutional environment. Further building our foothold in the US and emerging markets remains essential together with developing and investing in our product and service portfolio with focus on a harmonized, scalable offering which can support both new and traditional aerospace customers.

Rovsing understands and acts in a way that our Strategic Programme must develop and increase the Company's value. This requires continuous interaction with customers, suppliers and the shareholders and financial community. Management and the Board of Directors are committed to facilitate the reputation of trust and growth into the future of Rovsing.

Company

1. Rovsing Mission

- To enable our aerospace customers to verify with confidence that they will perform in all scenarios once deployed, by supplying them with innovative test & simulation tools

2. Vision – Rovsing 2021 Strategic Program

- Rovsing will develop into a strong and agile high-tech SME, recognized as a key player in aerospace with key expertise in the Space & Defense industry

3. Values

- Innovation & quality in development and implementation work
- Customer satisfaction
- Continuous and stable business growth
- Attractive workplace and good working environment

4. Management, Leadership & Organisation

- CEO with prime space industry expertise, sharp CFO & lean management team;
- Board of Directors with financial and industrial expertise, and competences in strategy, turnaround, and profitable growth;
- Improved accountability and focus on financial performance in project planning and resource allocation throughout the organization

5. Rovsing's core skills

- Analog & Digital electronics;
- Embedded & System software;
- Project management & Process competence;
- Product quality and reliability;
- Responsiveness to customers Product Life Cycle and industrial challenges

6. Product Range / Portfolio

High-tech modular product portfolio and expertise (2019/20):

- Test systems & Products (67%)
- Software Verification (ISVV) (5%)
- On-site engineering Services (28%)

Grow Top Line

7. Market expansion focus

- Make products & expertise known worldwide
- Expand in the US through local partners and increased presence
- Establish further foothold in emerging markets
- Strengthen preferred supplier status with ESA, EU national agencies and LSI's
- Pursue opportunities with NASA and other major non-EU space agencies
- Refurbishment and repurposing of proven assets
- Expand support for professional small satellite programmes & constellations
- Leverage competences and product portfolio in the growing Military/Security segment

8. Market sizes

Global market of Electrical Ground Support Equipment

- Equipment: USD 100 million p.a.
- ESA ESGE market: EUR 40 million p.a.
- An average of 135 satellite (> 50kg) launches per year expected until 2025

9. Product development focus

- Focus R&D on standard products, reduce complexity while offering improved scalability for both traditional and new customers; increase the digital footprint,
- Focus on profitable implementation and configurable S/W for customized systems
- Capture ESA/EU/DK funding opportunities to accelerate product development roadmap
- Strategic focus on suppliers and synergies to seek cost optimisation

10. Financials

<u>Actual performance 2019/2020:</u>

- Revenue: DKK 21,8 million
- EBITDA: DKK -0,9 million

<u>Financial guidance 2020/2021:</u>

- Revenue: DKK 26-28 million
- EBITDA: DKK 2 to 3 million

FINANCIAL REVIEW

Income statement

Revenue amounted to DKK 21,8 million in 2019/20, a decrease of DKK 6,3 million, on 2019/20 revenue. Gross profit amounted to DKK 16,9 compared to DKK 18,6 million in 2018/19 and EBITDA amounted to DKK -0,9 million compared to 0,3 million in 2018/19.

The development in revenue and EBITDA in 2019/20 is associated with a poor development in revenue and negative EBITDA in H1 2019/20 (H1: revenue of DKK 9,4 million and an EBITDA of DKK -1,8 million), caused by the delayed but successful finalization of the T6A EPS EGSE and the delayed kick-off of new ESA driven projects. In H2 2019/20 the capture and kick-off of new projects with a normalized gross margin has improved both revenue and positive EBITDA in H2 (H2: revenue of DKK 12,4 and an EBITDA of DKK 0,9 million) but not enough to catch up for the negative development in H1.

Other external expenses of DKK 2,1 are reduced with DKK 1,1 million compared to last year and is attributable to the adoption of IFRS 16.

Depreciation, amortisation and impairment amounted to DKK 4,5 million in 2019/20, against DKK 3,3 million in 2018/19. The increase is attributable to the adoption of IFRS 16.

Financial items

Overall, net financial expenses amounted to DKK 1,2 million compared to DKK 0,8 million in 2018/19. The increase can be explained by the effects of adopting IFRS 16 (t.DKK 144) and interest on a temporary bond loan, which was fully repaid in March 2020.

Profit/loss before tax

The Company recorded a loss before tax of DKK 6,5 million in 2019/20 compared to DKK 3,7 million in the year before.

Tax

Tax for the year amounted to a cost of DKK 0,3 million in 2019/20, compared to a cost of DKK 0,3 million in the preceding financial year. The tax consists of current tax (income) of DKK 0,1 million, which relates to reimbursement under section 8x of the Danish Tax Assessment Act (TAA) and a write down of the deferred tax asset of DKK -0,4 million The deferred net tax asset amounts to DKK 2,1 million at 30 June 2020. Rovsing expects to be able to utilize the tax asset within the next five years.

Profit/loss for the year and comprehensive income

The Company reported a loss for 2019/20 of DKK 6,8 million, against a loss of DKK 4,0 million in the preceding financial year.

Balance sheet

Assets

At the end of 2019/20, total assets amounted to DKK 27,2 million, against DKK 34,5 million at 30 June 2019.

Intangible assets amounted to DKK 14,3 million at 30 June 2020, down by DKK 3,0 million on 30 June 2019. The decrease was due to ordinary depreciation and amortisation of DKK 3,3 million, DKK 0,3 million associated with further development of the SAS product.

Deferred tax assets amounted to DKK 2,1 million, against a tax asset of DKK 2,5 million previous year.

Inventories amounted to DKK 2,5 million, representing a year-on-year decrease of DKK 0,4 million.

At 30 June 2020, trade receivables and contract work in progress combined amounted to DKK 5,8 million, which was DKK 3,4 million less than previous year.

Current assets, except cash, amounted to DKK 9,0 million, a decrease from DKK 14,0 million at 30 June 2019.

Liabilities and equity

Equity amounted to DKK 11,4 million at 30 June 2020, against DKK 18,6 million at 30 June 2019. The year-over-year change of DKK 7,2 million is due to loss on comprehensive income of DKK 6,8 million, DKK 0,3 million is related to costs in connection with the implementation of the reverse share split and DKK 0,1 million is attributable to the buying of own shares when the reverse stock split was implemented. Rovsing holds 1,259 of the Company's own shares with a nominal value of DKK 62,950.

In March 2020 the Company repaid DKK 2,2 million in a temporary bond loan. At year end the Company has a draw on the credit facility in Jyske Bank of DKK 2,4 million (DKK 6,3 million in 2018/19) and a bond loan of DKK 4,2 million (DKK 4,1 million in 2018/19). The bond loan of DKK 4,2 million is due 31

December 2020 and it is expected that the bond loan will be fully refinanced.

Cash flow statement

Cash flow from operations:
Total cash flow from operations were net cash of DKK 6,1 million in 2019/20, against a net cash of DKK 0,6 million in the preceding year. The improvement of DKK 5,5 million is caused by a general reduction in working capital requirements of DKK 6,9 million where the biggest improvements is from reduced work in progress of DKK 4,2 million and increased prepayments from customers of DKK 2,4 million compared to previous year.

Cash flow from operating activities:
Net interest payables were DKK -1,2 million compared to DKK -0,8 million in 2018/19. The increase is due to the adoption of IFRS 16 and interest payments on a temporary loan in 2019/20, tax reimbursement was DKK 0,5 million vs. DKK 0,2 million in 2018/19 leading up to cash flow from operating activities of DKK 5,4 million in 2019/20 compared to DKK 0 in 2018/19.

Cash flow from investing activities:
In 2019/20 the Company has invested DKK 0,3 million in further development of the SAS product line (2018/19 net DKK 1,0 million)

Cash flow from financing activities:
Cash flow from financing was DKK -5,1 million vs. DKK 1,1 million in 2018/19. The draw on the credit line in Jyske Bank has been reduced with DKK 3,9 million in 2019/20. After adoption of IFRS 16, principal paid on lease is now stated under cash flow from financing and amounts to DKK -0,9 million in 2019/20.

Funding of the Company's operations

The liquidity situation during the 2019/20 financial year improved significantly compared to the previous year. The main reason being the improved cash flow from working capital where especially work in progress has been substantially reduced combined with higher prepayments from customers.

The Company is expected to fully refinance the existing bond loan of DKK 4,2 million, which is due 31 December 2020. The refinancing will take place during Q2 of H1 2020/21 with effect as of 31 December 2020.

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

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

DIVIDENDS

The Board of Directors recommends to the annual general meeting that no dividend be declared in respect of the 2019/20 financial year.

OUTLOOK FOR 2020/21

Considering the above developments, the Company's new strategy, the completed sourcing process and the expected order intake for 2020/21 management expects for the financial year 2020/21 a revenue of around DKK 26-28 million and an EBITDA of around DKK 2 to 3 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 DK0061152170. The Company's share capital has a total nominal value of tDKK 22.894 and is divided into 457.881 shares of DKK 50 each. No shares carry any special rights.

Outstanding shares	No. of shares
Beginning of year	457,881,131
Capital decrease	-131
Reverse stocksplit	-457,423,119
End of year	**457,881**

Share price

The highest and lowest prices of Rovsing shares in 2019/20 were DKK 71 and 33, respectively. At the end of the financial year, the share price was DKK 41. At 30 June 2020, Rovsing had a market capitalisation of DKK 18,8 million.

Share liquidity

The average daily turnover in 2019/20 was 876 shares with an average of 10 transactions per day.

Shareholders

Rovsing has a total of 3,006 registered shareholders. 96.1 % 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	%
CATPEN A/S	31,373	6.85
Other shareholders	426,508	93.15
Total	457,881	100.0

Employee shares

No employee shares were granted in 2019/20.

Current Warrant scheme

In the period until 27 October 2022, the Board of Directors is authorized to issue warrants for board members and/or employees. The Board of Directors may issue warrants with a nominal value up to DKK 2,750,000 in the Company, corresponding to 55,000 warrants of DKK 50 each. In addition, there remains 3,300 warrants issued under the previous authorization totaling 58,300 outstanding warrants.

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" and "Corporate Governance".

Financial reporting to shareholders

The Company publishes an Annual Report, an interim half year Report and interim Management Statements in Q1 and Q3. These reports and statements are published through NASDAQ OMX Copenhagen.

Annual General Meeting

The annual general meeting of Rovsing will be held on 19 October 2020 at 16:00 at the Company's premises at Dyregårdsvej 2, DK-2740 Skovlunde.
The general meeting shall be convened by the Board of Directors not more than five weeks and not less than three weeks before the general meeting by publication of an announcement to NASDAQ OMX Copenhagen, on the Company's website www.rovsing.dk and by e-mail to shareholders recorded in the register of shareholders who have so requested.

Amendments to articles of association

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

Financial calendar

11 September 2020, publication of annual report for 2019/20.

19 October 2020, Annual General Meeting regarding financial year 2019/20.

16 November 2020, publication of interim report for Q1 2020/21.

22 February 2020, publication of interim report for H1 2020/21.

17 May 2021, publication of interim report for Q3 2020/21.

10 September 2021, publication of annual report for 2020/21

Issued Company Announcements

Announcement no 304 - 30 June 2020

Financial Calendar 2020-21

Announcement no 303 - 13 May 2020

Interim Management Statement covering Q3 2019/2020

Announcement no 302 - 17 February 2020

Interim Report first half year 2019/2020

Announcement no 301 - 06 January 2020

Minutes of extraordinary general meeting

Announcement no 300 - 12 December 2019

Notice to Extraordinary General Meeting

Announcement no 299 - 20 November 2019

Gennemførelse af omvendt aktiesplit i Rovsing A/S

Announcement no 298 - 18 November 2019

Interim Management Statement covering Q1 2019/2020

Announcement no 297 - 21 October 2019

Decision of general meeting.

Announcement no 296 - 27 September 2019

Notice to General Meeting

Announcement no 295 - 13 September 2019

Annual Report for Financial Year 2018/19

Announcement no 294 - 3 September 2019

Change in capital of large shareholder

Announcement no 293 - 11 July 2019

Finance Calendar 2019/20

Registrar

Computershare A/S
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Investor relations contacts

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Michael Hove, Chairman
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CORPORATE GOVERNANCE

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

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

Certain of the 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". https://rovsing.dk/wp-content/uploads/2020/09/Corporate_governance_2019-20.pdf

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 the composition and organization of the Board of Directors

According to section 3.1.2 of the recommendations, the Board of Directors annually should discuss the company's activities to ensure a diversity relevant to the company in its management levels and develops and adopt a diversity policy. The Chairman of the Board of Directors assesses in consultation with the Executive Board what competencies the Board of Directors must have and recommend suitable candidates for election at the General Meeting. At 30 June 2020, woman accounted for 9% of the total workforce (June 2019 4%). It is the Company's goal to continuously increase the diversity of the workforce.

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 evaluation of the work of the Board of Directors and the Executive Board

According to section 3.5.1 of the recommendations, the Board of Directors is recommended to establish an evaluation procedure for an annual assessment of the overall board and individual members. The Board's self-evaluation is organised based on the numbers and the needs of the company.

Recommendation regarding remuneration in the form of share options

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

Management and organisation

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

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

The Board members' shareholdings through controlled companies and/or held personally are set out on page 56-57.

The remuneration of the Board of Directors for 2019/20 was unchanged at DKK 100,000. The Chairman receives 200% of the basic fee.

At the Company's annual general meeting in October 2019 Michael Hove, Flemming Hynkemejer and Ulrich Beck were reelected to the Board of Directors, while Steen Rosenkvist was elected as new member succeeding Jakob Have.

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

Internal control and risk management

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

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

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

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

CSR, HUMAN RIGHTS AND CLIMATE CHANGE MITIGATION

Description of Rovsing's business model

Operationally, the structure is that there is only one company that operates with a high degree of operational independence.

The majority of revenue is generated in Europe and derives from sales of products and systems for functional and electrical testing of spacecrafts (primarily satellites) and their payloads for professional clients. The company has no sales to individuals. The company's activities are generally conducted in accordance with internationally recognized quality standards.

The company's purchasing of components comprises a very large number of products purchased from suppliers primarily in Denmark and Europe. The hallmark of these products is that they are manufactured by reputable high-quality technical manufacturers.

Due to the Company's size and short chain of command, the Company does not have a written policy on human rights, social and employees' relation, anticorruption and business ethics and environment and climate, but rather the Company's policy on these issues are reflected below.

Human Rights

We believe that discrimination against employees is the most significant risk in relation to human rights. This can affect our ability to attract and retain employees as well as affect our reputation.

Rovsing supports, respects and respects the international human rights contained in the Convention on Human Rights. This means, among other things, that the company works to ensure equal opportunities regardless of gender, religion, origin or sexual orientation. The company does not accept forced labour or child labour.

It is the company's policy that employees' free choice of trade unions and their right to participate in collective bargaining are respected, as are the applicable laws and standards in respective countries regarding working hours and wages.

No human rights violations have been found in Rovsing in 2019/20.

Social and employee relations

The most significant risks to employees are that employees do not feel that they are motivated by working at Rovsing, which however is not currently the case.

In Rovsing, we believe that results are created through people. We strive to be a responsible employer that ensures proper employment, healthy and safe working conditions and a motivating work environment for our employees. The company ensures, inter alia, through the development and maintenance of employees' knowledge and skills, that the company continues to have a high efficiency, that innovative products and solutions can be produced and that the products manufactured are competitive in the selected markets. The presence of the necessary qualifications is ensured, among other things through targeted training of employees as well as collaboration with external partners. The company has a strong focus on the development of new products and product concepts, and a considerable amount has been used in 2019/20. This is planned to continue for the current year.

Anti-corruption and business ethics

We consider that the most significant risk is if an employee chooses to use gifts or other means to unduly influence a stakeholder. This may also be the case if the employee is unduly influenced by a stakeholder. It can have consequences for our reputation.

Over the years, we have built a reputation as a company that maintains a high degree of integrity and ethical conduct. We combat all forms of corruption, including bribery and facilitation payments, by informing our employees of our zero-tolerance policy regarding bribery and corruption. No corruption and bribery offenses have been found in Rovsing in 2019/20.

Environment and climate

We believe that the most significant risk is that we use materials in our production that unnecessarily harm the environment. Furthermore, it can be a risk if our production of products has processes or approaches that may unduly impact the environment. We are aware that this risk can have consequences for the local environment as well as have consequences for our reputation.

It is the company's goal to strive for a production that limits the climate impact through the use of environmentally friendly processes. This includes choice of materials that are as reusable as possible, but also that the various processes are gentle on the environment.

In addition, environmental considerations are included as part of the company's innovation processes and business strategy.

RISK FACTORS

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

RISKS RELATED TO THE COMPANY

The Company's earnings expectations are subject to considerable uncertainty

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

Liquidity risk

The Company's liquidity position has improved during 2019/20 compared to previous financial year due to a positive change in working capital of DKK 6,9 million.

Liquidity problems due to late payment by customers

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

The Company is dependent on a few large customers

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

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

Technological developments may impair the Company's competitiveness

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

Tenders may be unsuccessful

The Company's large customers launch a limited number of calls for tenders a year. The outcome of these tenders can have a significant impact on the Company's revenue, earnings and future competitiveness. The outcome of such tenders depends on various factors which are beyond the Company's control, including the quality and price offered by the other tenderers. As there are only a limited number of 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. The process of ISO-certification has been commenced in 2019/20.

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, despite this, there is a risk that the products will infringe third party rights, including patent rights. Such infringement may involve substantial claims from the rightsholders and/or cause rightsholders to obtain injunctions against supply of the products containing the infringing material, which may materially affect Rovsing's results.

Fixed-price contracts may involve losses

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

Insufficient insurance cover

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

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

Wrong assessment of market penetration time and demand in new markets

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

Trade restrictions may impact future business

A delivery to one market, e.g. the Chinese market, may affect the possibilities for supplying to other markets, e.g. the USA. Rovsing monitors the evolution of the trade and political conflicts between both countries which are key players in the global space markets.

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

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

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

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

The Company is dependent on key persons

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

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

Unsatisfactory contribution margins of products and services may impact results

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

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

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

In its annual report for 2019/20, Rovsing capitalised development costs and product rights totaling DKK 14,3 million and a tax asset of DKK 2,1 million. There is a risk that the products developed cannot be sold to the extent expected and/or that the Company does not generate a profit in the coming financial years, and that the capitalised development costs, product rights and/or tax asset will be written off in connection with future financial statements. Such a scenario will affect Rovsing's results and balance sheet.

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

INDUSTRY SPECIFIC RISK

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

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

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

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

At a meeting of ministers in November 2019, Denmark confirmed its continued ESA membership and participation in optional programmes for the period 2020 - 2022 for an aggregate amount of DKK 360 million. This combined with the mandatory membership fee brings Denmark's contribution to ESA programmes to approximately DKK 240 million a year, which is largely unchanged on the years before.

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

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

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

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

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

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

MANAGEMENT STATEMENT

The Board of Directors and the Executive Management today considered and adopted the annual report of Rovsing A/S for the financial year 1 July 2019 to 30 June 2020. 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 2020 and of the Company's activities and cash flows for the financial year 1 July 2019 to 30 June 2020.

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, 11 September 2020

Executive Management

Hjalti Pall Thorvardarson (CEO)

Sigurd Hundrup (CFO)

Board of Directors

Michael Hove (Chairman)

Flemming Hynkemejer

Ulrich Beck

Steen Rosenkvist

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 2019 – 30 June 2020, which comprise income and comprehensive statement, balance sheet, statement of changes in equity, cash flow statement, notes, including 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 2020, and of the results of the Company operations and cash flows for the financial year 1 July 2019 – 30 June 2020 in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements under the Danish Financial Statements Act.

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

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

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

We were first time appointed auditors of Rovsing A/S on 25 October 2013 for the financial year 2013/14. We were re-appointed annually by a resolution of the General Meeting for a total continuous engagement period of seven years up to and including the financial year 2019/20.

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

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements for the financial year 2019/20. 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 14.3 m and is subject to significant estimates. Reference is made to the Financial Statements, page 28 in the Balance Sheet, page 38, note 2 "Intangible fixed assets", and page 34-36 "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.

Combined with the significance of the recognized asset the valuation of intangible fixed assets is considered to be a key audit matter.

How the matter was addressed in the audit
Based on our risk assessment we assessed the relevant internal controls for intangible fixed assets primarily relating to the processes for preparing impairment tests, including Management's assumptions.

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

- We have obtained the impairment test and examined the model used by Management for determination of the assessed value,
- We have assessed and challenged the key assumptions included in the model,
- 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 and challenged the discounting factor used in relation to a market requirement,
- We have verified the intrinsic numerical coherence of the model used by Management to determine the assessed value,
- 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 2.1 m and is subject to significant estimates. Reference is made to the Financial Statements, page 28 in the Balance Sheet, page 38, note 2"Deferred tax", and page 35 "Accounting policies" and note 16 page 47.

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

Combined with the significance of the recognized asset the valuation of deferred tax assets is considered to be a key audit matter.

How the matter was addressed in the audit
Based on our risk assessment we assessed the relevant internal controls for deferred tax assets, including Management's assumptions.

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

- We obtained from Management the calculation of tax assets, including the budget for the financial year 2020/21 and Management's forecast for the following years,
- We have assessed and challenged the budget for the financial year 2020/21 and Management's forecast for the following years,
- 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 verified the intrinsic numerical coherence of the budget prepared,
- We have assessed the adequacy of additional information in the Financial Statements relating to additional information on the valuation of deferred tax asset.

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

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

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

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

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

Management's Responsibilities for the Financial Statements
Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements under the Danish Financial Statements Act, 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, 11 September 2020

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Steen Pedersen
State Authorised Public Accountant
MNE no. mne23302

INCOME AND COMPREHENSIVE INCOME STATEMENT

Note	INCOME AND COMPREHENSIVE INCOME STATEMENT	2019/20	2018/19
	DKK'000		
3	Revenue	21,836	28,184
	Production costs, external	-4,966	-9,597
	Gross profit/loss	**16,869**	**18,586**
4	Other external expenses	-2,112	-3,160
5, 6	Staff costs	-15,620	-15,085
	Operating profit before depreciation and amortisation (EBITDA)	**-863**	**341**
7, 8	Depreciation, amortisation and impairment	-4,459	-3,270
	Operating profit/loss (EBIT)	**-5,322**	**-2,929**
9	Financial income	7	43
10	Financial expenses	-1,195	-810
	Profit/loss before tax	**-6,510**	**-3,696**
11	Tax on profit/loss for the year	-300	-344
	Net profit	**-6,810**	**-4,040**
	Comprehensive income	-6,810	-4,040
	Allocation of profit/loss:		
	Shareholders of Rovsing A/S	-6,810	-4,040
	Retained earnings	-6,810	-4,040
12	**Earnings per share**		
	Earnings per share (EPS Basic)	-14,9	-0,01
	Earnings per share (EPS-D)	-14,9	-0,01

BALANCE SHEET

Note	BALANCE SHEET, ASSETS	2019/20	2018/19
	DKK'000		
	Non-current assets		
	Intangible assets		
13	Completed development projects	13,513	16,274
13	Patents and licenses	796	1,078
		14,310	**17,352**
	Property, plant and equipment		
14	Other fixtures and fittings, tools and equipment	0	121
15	Right-of-Use assets	1,488	0
		1,488	**121**
	Other non-current assets		
	Tax	57	236
16	Deferred tax	2,143	2,500
		2,200	**2,736**
	Total non-current assets	**17,997**	**20,209**
	Current assets		
	Inventories	2,448	2,810
17	Trade receivables	2,249	1,428
18	Contract work in progress	3,559	7,750
	Tax	236	484
	Other receivables	49	1,004
	Prepaid expenses	439	565
	Cash	268	224
	Total current assets	**9,248**	**14,265**
	TOTAL ASSETS	**27,245**	**34,474**

BALANCE SHEET

Note	BALANCE SHEET, EQUITY AND LIABILITIES	2019/20	2018/19
	DKK'000		
19	**Equity**		
	Share capital	22,894	22,894
	Reserves for development costs	3,039	3,215
	Retained earnings	-14,511	-7,550
	Total equity	**11,423**	**18,560**
	Non current liabilities		
20	Bond loans	0	4,080
15	Lease liabilities	386	0
	Total non-current liabilities	**386**	**4,080**
	Current liabilities		
	Credit institutions	2,425	6,326
20	Bond loans	4,165	0
15	Lease liabilities	1,214	0
18	Prepayments, customers	2,786	396
	Trade payables	645	2,550
21	Other payables	4,202	2,562
	Total current liabilities	**15,437**	**11,834**
	Total liabilities	**15,823**	**15,914**
	TOTAL EQUITY AND LIABILITIES	**27,245**	**34,474**

STATEMENT OF CHANGES IN EQUITY

Note **STATEMENT OF CHANGES IN EQUITY**

DKK'000

2018/19	SHARE CAPITAL	RESERVES FOR DEVELOP-MENT COSTS	RETAINED EARNINGS	TOTAL
Equity at 1 July 2018	**20,243**	**2,399**	**-4,433**	**18,210**
Comprehensive income for the period				
Comprehensive income	0	0	-4,040	-4,040
Transferred between reserves	0	816	-816	0
Total comprehensive income for the period	**0**	**816**	**-4,856**	**-4,040**
Other transactions				
Issue of new shares upon exercise of warrants	1,782	0	1,268	3,050
Share issue by debt conversion*)	869	0	631	1,500
Costs emission	0	0	-159	-159
Total transactions with owners	**2,651**	**0**	**1,739**	**4,391**
Equity at 30 June 2019	**22,894**	**3,215**	**-7,550**	**18,560**

*) The conversion of debt to shares was completed on 19 October 2018, 18 November 2018 and 19 February 2019 respectively.

The reserves have been allocated in accordance with the Danish Companies Act.

2019/20	SHARE CAPITAL	RESERVES FOR DEVELOP-MENT COSTS	RETAINED EARNINGS	TOTAL
Equity at 1 July 2019	**22,894**	**3,215**	**-7,550**	**18,560**
Comprehensive income for the period				
Comprehensive income	0	0	-6,810	-6,810
Transferred between reserves	0	-176	176	0
Total comprehensive income for the period	**0**	**-176**	**-6,634**	**-6,810**
Other transactions				
Buy own shares	0	0	-78	-78
Costs reverse stock split	0	0	-249	-249
Total transactions with owners	**0**	**0**	**-327**	**-327**
Equity at 30 June 2020	**22,894**	**3,039**	**-14,511**	**11,423**

The reserves have been allocated in accordance with the Danish Companies Act.

CASH FLOW STATEMENT

Note	CASH FLOW STATEMENT	2019/20	2018/19
	DKK'000		
	Profit/loss for the year	**-6,810**	**-4,040**
	Adjustment for non-cash operating items etc.:		
8	Depreciation, amortisation and impairment	4,459	3,270
26	Other non-cash operating items, net	1	-262
9	Financial income	-7	-43
10	Financial expenses	1,195	810
11	Tax on profit/loss for the year	300	344
	Cash flows from operations before changes in working capital	**-862**	**79**
27	Change in working capital	6,939	492
	Cash flow from operations	**6,077**	**572**
	Interest receivable	7	43
	Interest payable	-1,195	-810
	Tax reimbursement	484	206
	Cash flow from operating activities	**5,372**	**11**
13	Acquisition of intangible assets	-259	-1,376
	Received development subsidies	0	337
14	Acquisition of property, plant and equipment	0	0
	Cash flow from investing activities	**-259**	**-1,040**
	Repayment of debt with credit institutions	-3,901	-781
	Other debt	83	-2,500
	Capital increase, net proceeds from issue	0	4,550
	Principal paid on lease	-923	0
	Buy own shares	-78	0
	Costs reverse stock split	-249	0
	Costs emission	0	-159
	Cash flow from financing activities	**-5,069**	**1,109**
	Net cash flow for the period	**44**	**81**
	Cash, beginning of year	224	143
	Cash, end of year	**268**	**224**

OVERVIEW OF NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. ACCOUNTING POLICIES

The annual report for 2019/20, 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 2018/19.

The annual report is presented in DKK thousands (DKK '000).

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 2019 or later.

Rovsing has implemented the following new and amended standards and interpretations that have entered into force in the financial year:

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax

Effect of IFRS 16:
Rovsing implemented 1 July 2019 IFRS 16, which changes accounting policies for leasing, where only financial leasing contracts are recognized on the balance sheet. As of 1 July 2019, all leasing and lease contracts on the balance sheet are recognized with a leasing asset (the right to use the asset) and a lease obligation, respectively. Rovsing has chosen to use the modified retrospective transition method, for which no comparison of comparative figures has been made. Excluded from recognition, however, are leasing and lease agreements for small assets and agreements with short maturities (under 1 year). Leasing assets are depreciated over the life expectancy of the asset. For the calculation of the current value of operational lease commitments, an alternative borrowing rate is used as the leaseholder's marginal borrowing interest. As per 30 June 2019, the total operational leasing contracts in Rovsing totaled a present value of approx. DKK 2,5 million corresponding to approx. 7% of the total balance sheet total in Rovsing. Implementation of IFRS 16 as per 1 July 2019 has improved EBITDA with DKK 1,1 million.

Effect of IFRIC 23:
IFRIC 23 is effective for periods beginning on or after 1 January 2019. The implementation of IFRIC 23 has had no effect on the accounts.

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 2019/20. 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.

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 when each of the separate performance obligations are satisfied. Revenue is recognised excluding VAT and taxes and net of discounts related to sales. Each revenue line is subject to the 5-step model which includes: Identification of contract, separation of performance obligations in each contract, determining the transaction price, allocation of price to identified performance obligations and recognition of revenue.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to our customers at an amount that reflects the transaction price to which we expect to be entitled in exchange for these goods or services.

Revenue from projects, products, and services (with the exception of sale of service hours) is recognised over time, using the cost-to-cost method, when we have no alternative use for the goods or services to be delivered and we have an enforceable right to payment for work completed.

If we do have an alternative use for the goods or services to be delivered, e.g. products with a low degree of customisation, such sales will be recognised at the point in time when control transfers to the customer, usually upon delivery.

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.

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.

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.

NOTES

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.

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.

Rental and lease matters

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the payments, which are fixed or variable dependent on an index or a rate.

The lease payments are discounted using the implied interest rate of the lease. If that rate cannot be readily determined, which is generally the case for leases in Rovsing, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the lease asset. Service components are excluded from the lease liability.

Lease payments are allocated between principal and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and any restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If Rovsing is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

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. The company's revenue is generated on relatively few customers and in recent periods there have been no losses on receivables. The company applies the simplified approach to measure expected credit losses as trade receivables do not contain a significant financing component. ECL is determined based on days past due and credit risk in groupings of customer segments.

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 as basis for estimation of delivered performance obligations, 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.

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 loans 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 13,5 million (2018/19: DKK 16,3 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 include non-invoiced services with a value of DKK 11,8 million (2018/19: DKK 7,8 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 2020/21

The income statement shows a loss for the year of DKK 6,8 million and the Company has lost above 50% of its registered share capital. Funding in 2020/21 is based on a cash flow forecast with positive cash flow from operations together with a continuation of the existing short-term funding facility provided by Jyske Bank. In addition, the bond loan with a principal of DKK 4,2 million, which is due 31 December 2020, is expected to be refinanced either partly or in full depending on the immediate liquidity requirements. In case the bond loan is not refinanced at satisfactory conditions the Company will utilize the possibility to issue new shares. Under the current rules for listed companies, Rovsing may issue new shares for up to 20% of the Company's existing share capital within a financial year. Within this framework, the size of a potential capital increase will be assessed relative to the immediate liquidity requirements.

In recent years, the company has succeeded in raising temporary loans to supplement the credit line in Jyske Bank to cover the need for working capital when necessary. It is the management's assessment that the company will obtain refinancing of all or parts of current bond loan as per 31 December 2020.

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	2019/20	2018/19
Developed products and systems	14,630	18,038
Software Verifications (ISVV)	1,092	2,536
On-site Engineering Services	6,114	7,610
	21,836	28,184

GEOGRAPHIC MARKETS

DKK'000		
EU	16,063	16,910
Outside EU	5,773	11,274
	21,836	28,184

Revenue from three customers were in the interval from 10%-14% of the total revenue in 2019/20. In 2018/19 revenue from one customer exceeded 37% of the total revenue in 2018/19.

Revenue from products, systems and services is recognised over time, using the cost-to-cost method.

The majority of the projects are sold as fixed price contracts and revenue from projects is usually recognised over time; applying the percentage of completion cost-to-cost method. A project contract will often entitle us to receive a down payment from the customer, followed by several milestone payments linked to a milestone progress plan. Upon completion and customer acceptance we will usually be entitled to the final payment.

4 EXPENSES FOR AUDITORS APPOINTED BY THE GENERAL MEETING

DKK'000	2019/20	2018/19
Audit of financial statements	244	280
Audit fee for other services	0	0
	244	280

NOTES

5 STAFF COSTS

DKK'000	2019/20	2018/19
Wages and salaries	13,693	13,075
Pension contribution	530	350
Other social security costs	1,244	1,558
Other staff costs	154	102
	15,620	15,085
The item includes:		
Remuneration of the Executive Management	2,034	1,980
Share-based payments, Executive Management	0	0
Pension to the Executive Management	112	69
Remuneration of the Board of Directors	500	567
Share-based payments, Board of Directors	0	0
Average number of full-time employees	23	24

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

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

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

6 SHARE-BASED PAYMENT

Rovsing A/S has a warrant incentive programme for the Company's Board of Directors, CEO and CFO. The programme comprises a total of 55,000 warrants. Each warrant entitles the holder to buy one share of DKK 50 each in Rovsing A/S. In addition, there is 3,300 warrants issued under the previous authorization totaling 58,300 outstanding warrants.

The outstanding warrants for the CEO and CFO equal 1.4% of the share capital if all warrants are exercised. The vesting of warrants for the CEO and CFO is based on employment with the Company. For the CEO and CFO 1,500 warrants vest after 12 months' employment, another 1.500 warrants vest after 24 months' employment and, finally, another 3,622 warrants vest after 36 months' employment. The warrants are issued with an exercise price of DKK 75 each.

The outstanding warrants for the Board of Directors equal 9.2% of the share capital if all warrants are exercised. The vesting of warrants for the Board of Directors is based on association with the Company. For the Board of Directors 16,201 warrants vest after 12 months' tenure, another 15,844 warrants vest after 24 months' tenure and, finally, another 10,160 warrants vest after 36 months' tenure. The warrants are issued with an exercise price of DKK 75 each.

In 2019/20 the costs recognised in the income statement relating to warrants is DKK 0 (2018/19: DKK 0).

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

Specification of outstanding warrants:

	Executive Management	Other employees	Not allocated	Board of Directors	Total	Exercise price per warrant	Fair value per war-rant
Number of exercisable options:							
Outstanding at 1 July 2019	5,677	4,519	4,374	41,230	55,800	75	50
Reallocated in 2019/20:	2,122	1,277	-1,874	975	2,500	75	50
Exercised	0	0	0	0	0	-	-
Lapsed	0	0	0	0	0	-	-
Outstanding at 30 June 2020	**7,799**	**5,796**	**2,500**	**42,205**	**58,300**	**75**	**50**

7 RESEARCH AND DEVELOPMENT COSTS

DKK'000	2019/20	2018/19
Research and development costs incurred	259	1,376
Development costs recognised as intangible assets	-259	-1,376
Amortisation and impairment of recognised development costs	3,020	2,843
Development costs for the year recognised in the income statement	3,020	2,843

8 DEPRECIATION, AMORTISATION AND IMPAIRMENT

DKK'000	2019/20	2018/19
Amortisation, completed development projects	3,020	2,843
Amortisation, patents and licenses	281	281
Impairment, patents and licenses	0	0
Amortisation, leasing	1,036	0
Depreciation, other fixtures and fittings, tools and equipment	121	146
	4,459	3,270

NOTES

9 FINANCIAL INCOME

DKK'000	2019/20	2018/19
Exchange rate adjustments	7	43
	7	43

10 FINANCIAL EXPENSES

DKK'000	2019/20	2018/19
Interest, banks, etc.	995	738
Interest leasing	144	0
Exchange rate adjustments	56	72
	1,195	810

NOTES

11 TAX ON PROFIT/LOSS FOR THE YEAR

DKK'000	2019/20	2018/19
Current tax	57	236
Deferred tax	-357	-580
Tax on profit/loss for the year	-300	-344
Computed tax of profit/loss before tax	22.0 %	22.0 %

	2019/20	2018/19
Tax on profit/loss for the year is explained as follows:		
Computed tax 22% of profit/loss before tax for the year	1,432	813
Tax effect of:		
Unrecognised deferred tax asset	-1,761	-1,191
Other non-deductible costs	-1	-1
Tax effect leasing	-25	0
Tax on cost charged to equity	55	35
Tax for the year	-300	-344

12 EARNINGS PER SHARE

DKK'000	2019/20	2018/19
Profit/loss for the year	-6,810	-4,040
Average number of issued shares (1,000)	458	429,844
Earnings per share, (EPS Basic), of DKK 50 each (2018/19 DKK 0,05 each)	-14,9	-0.01

NOTES

13 INTANGIBLE ASSETS

2019/20	Patents and licenses	Completed development projects	Develop-ment projects in progress	Total
DKK'000				
Cost at 1 July 2019	22,350	31,846	0	54,197
Additions	0	0	259	259
Reclassification		259	-259	0
Cost at 30 June 2020	22,350	32,106	0	54,456
Amortisation and impairment at 1 July 2019	-21,272	-15,572	0	-36,845
Amortisation	-281	-3,020	0	-3,301
Impairment	0	0	0	0
Amortisation and impairment at 30 June 2020	-21,554	-18,593	0	-40,146
Carrying amount at 30 June 2020	796	13,513	0	14,310

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

At 30 June 2020, 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.

2018/19	Patents and licenses	Completed development projects	Development projects in progress	Total
DKK'000				
Cost at 1 July 2018	22,350	29,365	1,442	53,157
Additions	0	0	1,376	1,376
Reclassification	0	2,481	-2,481	0
Development grants received	0	0	-337	-337
Cost at 30 June 2019	22,350	31,846	0	54,197
Amortisation and impairment at 1 July 2018	-20,991	-12,729	0	-33,720
Amortisation	-281	-2,843	0	-3,124
Impairment	0	0	0	0
Amortisation and impairment at 30 June 2019	-21,272	-15,572	0	-36,845
Carrying amount at 30 June 2019	1,078	16,274	0	17,352

14 PROPERTY, PLANT AND EQUIPMENT

	2019/20	2018/19
	Other fixtures and fittings, tools and equipment	Other fixtures and fittings, tools and equipment
DKK'000		
Cost at 1 July	607	607
Additions during the year	0	0
Disposals at cost	0	0
Cost at 30 June	607	607
Depreciation and impairment at 1 July	-486	-340
Depreciation for the year	-121	-146
Disposals	0	0
Depreciation and impairment at 30 June	-607	-486
Carrying amount at 30 June	0	121

NOTES

15 RIGHT OF USE ASSET

2019/20	Property lease	Other leases	Total	1 July 2019
DKK'000				
Cost at 1 July 2019	0	0	0	0
Effect of adoption of IFRS 16	2,044	480	2,524	2,524
Amortisation	-908	-128	-1,036	0
Right of Use asset at 30 June 2020	1,135	352	1,488	2,524

15 LEASE LIABILITIES

2019/20	Property lease	Other leases	Total	1 July 2019
DKK'000				
Cost at 1 July 2019	0	0	0	0
Effect of adoption of IFRS 16	2,044	480	2,524	2,524
Interest leases liabilities	121	23	144	0
Lease payments	-926	-142	-1,068	0
Lease liabilities at 30 June 2020	1,239	361	1,600	2,524

There have been no adjustments to the lease liabilities as stated in the Annual Report for 2018/19. The lease payments are discounted using an alternative borrowing rate which is calculated at 6.5%. The lease payments have been split into an interest cost and a repayment of the lease liability. Low value lease expenses in 2019/20 is t.DKK 21 and is not included in the measurement of lease liabilities.

MATURITY

DKK'000	Up to 12 months	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Total
Lease liabilities 1 July 2019	924	996	500	104	2,524
Lease liabilities 30 June 2020	996	500	104	0	1,600

2019-20

	Lease Contracts Number
Property lease with payments linked to inflation	1
Lease of equipment with fixed payments	1
	2

16 DEFERRED TAX

	2019/20	2018/19
Deferred tax asset at 1 July	-2,500	-3,080
Change in deferred tax for the year	-1,404	-611
Prior period adjustment	0	0
Unrecognised deferred tax asset	1,404	611
Write-down of tax asset pursuant to expected realisation (3-5 years)	358	580
Deferred tax asset at 30 June	-2,143	-2,500

Deferred tax in the Company is specified as follows:

DKK'000	2019/20	2018/19
Intangible assets	2,447	3,116
Property, plant and equipment	-90	-63
Current assets	5,324	3,774
Tax loss carry-forwards	-20,507	-18,248
Non-recognised share of tax asset	10,683	8,921
Deferred tax asset at 30 June	-2,143	-2,500

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.

NOTES

17 RECEIVABLES

DKK'000	2019/20	2018/19
Trade receivables	2,249	1,428
Write-downs to cover losses	0	0
	2,249	1,428
Other receivables	49	1,004
	2,298	2,433
Receivables for which no write-downs have been made to cover losses:		
Due within 1-30 days	1,429	2,400
Due within 30-90 days	869	33
Due after 90 days	0	0
	2,298	2,433

Carrying amount of receivables by currency:	2019/20	2018/19
DKK	49	1,004
USD	0	99
EUR	2,249	1,330
	2,298	2,433

18 CONTRACT WORK IN PROGRESS

DKK'000	2019/20	2018/19	2017/18
Contract work in progress, selling price	67,706	63,528	60,084
Invoiced contract work in progress	-66,933	-56,174	-54,059
	773	7,354	6,025
recognised as follows:			
Contract work in progress (assets)	3,559	7,750	
Prepayments, customers (liability)	2,786	396	
	773	7,354	
Contract work in progress at cost	43,508	46,375	

The remaining value of work in progress is t.DKK 11,055 (30 June 2019 t.DKK 6,231). No material adjustments have been made to the contract balances neither in this financial year nor in the previous financial year.

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. Rovsing holds 1,259 of the Company's own shares with a nominal value of DKK 62,950. The Company's solvency ratio stood at 41.9 at 30 June 2020 (30 June 2019: 53.8).

Share capital	**2019/20**	**2018/19**
Development in no. of shares (1,000)		
No. of shares, beginning of year	457,881	404,854
Issue of new shares	0	53,027
Reverse stock split	-457,423	0
No. of shares (1,000), end of year	458	457,881
Share capital, DKK'000	22,894	22,894

The share capital is divided into 457,881 shares with a nominal value of DKK 50 each (2018/19: 457,881,131 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. Presently there are 58,300 outstanding warrants.

In November 2019, the nominal value of the shares in Rovsing was changed from a nominal value of DKK 0.05 each to a nominal value of DKK 50 each by way of a reverse stock split in the ratio 1,000:1 decided on the Ordinary General Meeting held 21 October 2019.

20 BOND LOANS

The Company has issued DKK 4,2 million in bond loans with no conversion rights. The bond loans mature 31 December 2020 with a rate of allowance of 5%. The interest is 8% pro anno. The bond loan is expected to be refinanced as per 31 December 2020. Fair value of financial liabilities is equal to the carrying amount.

21 OTHER PAYABLES

	2019/20	**2018/19**
Staff costs	3,306	2,160
Other accrued expenses	896	401
	4,202	2,561

NOTES

22 PROVISIONS

	2019/20	2018/19
Provisions at 1 July	0	342
Provisions made during the year	0	-342
Provisions at 30 June	0	0
Which break down as follows:		
Non-current liabilities	0	0
Current liabilities	0	0
	0	0

In 2014/15 the Company made a provision of DKK 250,000 for a claim raised by the French authorities, claiming that the Company's share of the social costs should be increased with EUR 70,000. The authorities find that the Company does not meet the requirements for standard exemption for certain social benefits. In a court case in 2016, the court rejected the claim submitted by the French authorities. In December 2018 the claim was outdated, and the provision has during the year been reversed.

23 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 2019/20 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	2,249	168
EUR/USD	168	0
	2,417	**168**

Interest rate risk

The Company had net payables to credit institutions of DKK 2,4 million at 30 June 2020. The debt carries a floating interest rate based on the money market rate. Interest rates paid on payables to credit institutions in 2019/20 was 6,5%. The Company had net payables to bond holders of DKK 4,2 million at 30 June 2020 with a fixed interest rate of 8%.

Based on recognised financial assets and liabilities at 30 June 2020, without considering repayments, loans raised and the like in 2019/20, a 1% increase in interest rates would raise the Company's expenses by DKK 0,1 million. A 1% decline in interest rates would result in a correspondingly lower interest expense.

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

Liquidity risk

Significant, unforeseen liquidity fluctuations are primarily associated with the commercial risks referred to in the section "Risk factors" and breaching of milestones in contracts. The Company aims to have sufficient cash resources to allow it to operate adequately in case of unforeseen fluctuations in liquidity. The Company regularly assesses its cash resources relative to budgets and forecasts for cash flows in future periods.

NOTES

Credit risk

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

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

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

2019/20	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total	Carrying amount
DKK'000					
Cash	268			268	268
Trade receivables	2,249			2,249	2,249
Other receivables (current)	285			285	285
Other receivables (non-current)		57		57	57
Total loans and receivables	**2,803**	**57**		**2,860**	**2,860**
Credit institutions, floating rate	-2,425			-2,425	-2,425
Bond loan	-4,165			-4,165	-4,165
Leasing	-1,214	-386		-1,600	-1,600
Trade payables	-645			-645	-645
Other payables	-4,203			-4,203	-4,203
Financial liabilities measured at amortised cost	**-12,651**	**-386**		**-13,037**	**-13,037**

2018/19 DKK'000	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total	Carrying amount
Cash	224			224	224
Trade receivables	1,428			1,428	1,428
Other receivables (current)	1,488			1,488	1,488
Other receivables (non-current)		236		236	236
Total loans and receivables	**3,140**	**236**		**3,376**	**3,376**
Credit institutions, floating rate	-6,326			-6,326	-6,326
Bond loan		-4,080		-4,080	-4,080
Trade payables	-2,550			-2,550	-2,550
Other payables	-2,562			-2,562	-2,562
Financial liabilities measured at amortised cost	**-11,438**	**-4,080**		**-15,518**	**-15,518**

24 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.

25 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 20,1 million at 30 June 2020.

26 NON-CASH TRANSACTIONS

DKK'000	2019/20	2018/19
Provisions	0	-342
Financial items	1	80
Share-based payment	0	0
	1	-262

27 WORKING CAPITAL CHANGES

DKK'000	2019/20	2018/19
Receivables etc.	4,815	-1,273
Current liabilities	2,125	1,765
	6,939	492

28 RELATED PARTY TRANSACTIONS

The Company has no related parties with a controlling interest.

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

BOARD OF DIRECTORS

MICHAEL HOVE (BORN 1971)

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

Position: Founder and owner of MH Investment ApS.

Educational background from Copenhagen Business School as economist.

Main directorships:

- CEO Scandinavian Investment Group A/S
- Chairman of the board of directors of Antique 89 A/S
- Managing partner & owner MH Investment ApS
- Managing partner SalesPartners A/S

Shareholding at 30 June 2020: 11,566 shares.

Number of warrants at 30 June 2020: 22,702.

STEEN ROSENKVIST (BORN 1968)

Elected to the Board of Directors in 2019.

Position: Vice President - Head of Business Finance at Demant

Educational background: MsC. (Cand. Merc.) in International Business. Copenhagen Business School and University of South Carolina. HD(R) in Managerial and Financial accounting.

Steen has extensive experience and proven track record developing and driving business oriented financial teams from several international companies, working within all aspects of Group Finance and with experience with valuation and acquisitions. Steen also has a background as an auditor.

Shareholding at 30 June 2020: 0 shares.

Number of warrants at 30 June 2020: 0.

FLEMMING HYNKEMEJER (BORN 1966)

Elected to the Board of Directors in October 2017.

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

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

Main directorships:

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

Shareholding at 30 June 2020: 0 shares.

Number of warrants at 30 June 2020: 8,528.

ULRICH BECK (BORN 1964)

Elected to the Board of Directors in October 2017.

Position: Airbus Vice President Finance, Director Finance and Commercial of a joint Venture in Airbus Defense and Space

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

Main directorships:

- Member of the board of directors of Access e.V. and Access Technology GmbH, Institute for Material Sciences and Technology (associated with the RWTH Technical University of Aachen)
- Member of the senate of DGLR German Society for Aerospace and Space, AIEE
- Senior Member of AIAA American Institute of Aerospace and Aeronautics
- Certified Board Member and Financial Expert (by Deutsche Börse AG), Member of related associations

Shareholding at 30 June 2019: 2,482 shares.

Number of warrants at 30 June 2020: 7,775.

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 50	Dividend payment in Danish kroner per share.

GLOSSARY

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

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