

Company Announcement no 274**Interim report first half year 2017/18**

Michael Hove, Chairman of the Board of Directors in Rovsing A/S says:

The first half year of 2017/2018 has been a challenging time for Rovsing. A realized Revenue of DKK 11.6 million and an EBITDA of DKK -2.9 million is a disappointing result. The main reason for the underperformance is a decrease in ESA-driven activities, delays in the finalization of major projects, which affected our milestone payments, lack of new orders and a cost base, which is too high compared to the current revenue.

Rovsing is at the beginning of a transformation period with a new board, new management and a new strategy and the board is fully committed to implement and execute the turnaround plan to secure significant improvements in the future profitability of Rovsing.

As with every turnaround plan, the effects of initiatives which was launched together with the strategy plan in December 2017, cannot be seen in the results short term, but we expect to improve our performance going forward quarter by quarter.

Regarding our announcement no. 273 where CEO Cristian Bank announced his leave due to a new job opportunity, I am pleased to announce that we have successfully identified our new CEO, Mr. Hjalti Pall Thorvardarson, who will resume his new position on March 1st, 2018.

Mr. Thorvardarson has a long track record within the Space Industry and has been with Rovsing for the last 8 years in different positions. Mr. Thorvardarson will be head of our new management team together with our CFO Mr. Sigurd Hundrup, who joined the company in September 2017.

Cristian Bank will secure a successful handover in February and I will support the new management team for the next 6 months as working Chairman to secure that all routines around the new board/management setup becomes fully implemented.

To accelerate the transformation towards profitability, the board recently launched a sourcing programme to review all suppliers and contracts to reduce the current cost base. The work is ongoing, and we have already been able to save significant amounts on our rented facilities and with other major suppliers. These savings will have an immediate effect on our results, and the sourcing process will continue to secure savings.

Regarding our guidance for the full financial year 2017/2018, we have been revising the current order books and pipeline and we have to adjust our guidance to a revenue in the level of DKK 26-28 million and an EBITDA in the range from DKK -2 to -4 million.

Rovsing is currently in a process of negotiating two large contracts, which can affect our second half year results in a positive direction if the related order intake is achieved. If there will be a positive outcome short term, we will inform about that in a separate announcement including comments about our guidance if it will have any effect in that regard.

Finally, in the first half of 2017/18, Rovsing has successfully executed two capital increases and obtained a bond loan to strengthen the company's capital structure and repay all loans to insiders. With this consolidation of our capital structure, Rovsing's loan structure is only based on professional counterparts.

Highlights of the half year:

- In the first half year of 2017/18, the revenue amounted to DKK 11.6 million, a decrease of 41% from DKK 19.7 million in first half year of 2016/17.
- The decrease in revenue in the first six month of the financial year was mainly due to a significant delay in the MetOp-SG instrument software development impacting Rovsing's activities within Independent Software Validation & Verification (ISVV), and to a delay of several procurement decisions of Rovsing's customers, leading to a lower than forecasted activity level from new orders and a general lower activity in ESA-driven projects.
- EBITDA amounted to DKK - 2.9 million, corresponding to a change of DKK -3.4 million compared to the first half year of 2016/17. The lower EBITDA was primarily due to the lower revenue.
- Rovsing carried out two directed share issues amounting to a total of DKK 9.8 million and refinanced various loans, including loans from related parties, with a new loan of DKK 4.0 million under more favorable conditions.
- At the General Assembly in October 2017, a new Board was elected. In September 2017 Sigurd Hundrup was appointed as new CFO.
- Rovsing adopted a new 4-year strategy for growth and profitability in December 2017, aiming at doubling the revenue and achieving an EBITDA margin of 10% until 2021.
- Net cash flows from operating activities amounted to DKK -4.1 million (2016/17: DKK-8.8 million), net cash flow from investing activities amounted to DKK -0.8 million (2016/17: DKK -0.4 million) and cash flow from financing activities amounted to DKK 4.1 million (2016/17: DKK 10.9 million) and net cash flow for the period amounted to DKK -0.8 million (2016/17: DKK 1.7 million).
- The outlook for 2017/18 is adjusted to a revenue expectation for the full business year 2017/18 of DKK 26-28 million and an EBITDA level of DKK -2 to -4 million.

Additional information:

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