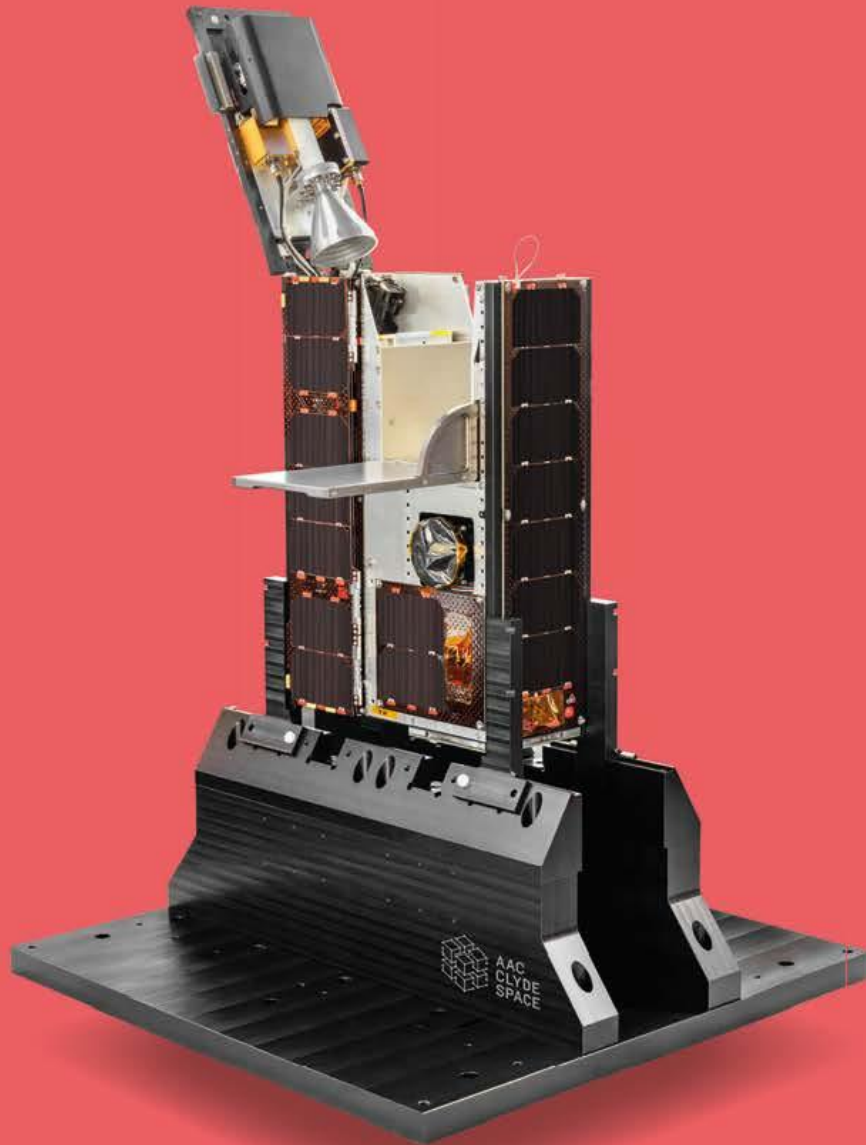




AAC
CLYDE
SPACE



AAC Clyde Space AB (publ)

INTERIM REPORT, Q3 2019

Third quarter, July–September 2019 (compared with July–September 2018)

- Net sales amounted to SEK 14.2 M (10.4)
- Earnings before interest, tax, depreciation and amortisation (EBITDA) totalled SEK -7.9 M (-13.8). EBITDA excluding exchange losses amounted to SEK -6.8 M (-12.6)
- Earnings before interest and tax (EBIT) totalled SEK -11.0 M (-17.9)
- The loss after tax was SEK -11.1 M (-17.9)
- Basic and diluted earnings per share amounted to SEK -0.12 (-0.26)
- Cash flow from operating activities totalled SEK -7.4 M (-16.9)
- The order backlog increased to SEK 179.6 M (SEK 67.1 M at year end)

January–September 2019 (compared with January–September 2018)

- Net sales amounted to SEK 45.9 M (48.9)
- EBITDA totalled SEK -22.1 M (-31.9). EBITDA excluding exchange losses and acquisition costs totalled SEK -18.7 M (-21.9)
- EBIT totalled SEK -31.8 M (-43.6)
- The loss after tax was SEK -32.2 M (-43.1)
- Basic and diluted earnings per share amounted to SEK -0.40 (-0.66)
- Cash flow from operating activities totalled SEK -16.0 M (-35.9)
- In June, the oversubscribed rights issue raised funds of SEK 82.5 M for the company before issue expenses

Information on significant events during the third quarter of 2019

- July witnessed the year's fourth successful launch of a satellite from AAC Clyde Space, when the NSLSat-1 was launched from the Vostochny Cosmodrome in Russia
- An agreement was signed with Eutelsat for the delivery and launch of two IoT satellites of 6U size. The contract value is EUR 2 M (around SEK 21.4 M) and could potentially amount to EUR 5 M (around SEK 53.5 M) depending on the options and services selected. The launch of the satellites is planned for the first quarter of 2021
- The Swedish National Space Agency has approved a grant of SEK 2.2 M to support the development of the next generation electrical power system (EPS) for satellites sized from 50–250 kg

Significant events after the end of the reporting period

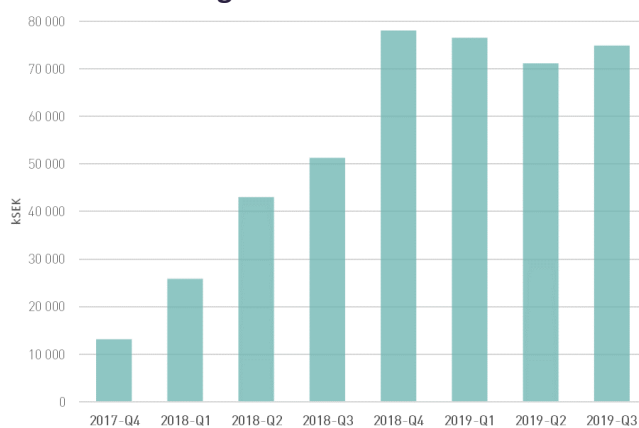
- Continued success for Sirius with a major European satellite manufacturer ordering two complete Sirius subsystems for SEK 11.3 M with delivery in the second quarter of 2020
- The US Air Force Academy ordered three solar panels and eight 1.2Nms reaction wheels for its FalconSat program. The order, with a value of around USD 655,000 (about SEK 6.4 M), will be delivered in the third quarter of 2020
- The Extraordinary General Meeting on 29 October 2019 resolved to change the company name to AAC Clyde Space AB, and to change the limits for the share capital as well as the limits for the number of shares outstanding
- VP Business Development Iraklis Hatziathanasiou decided to leave the Group. Until further notice, CEO Luis Gomes has taken over the role of VP Business Development
- The Swedish Companies Registration Office approved the company's application for a name change, whereby the Parent Company and thus the Group changed name to AAC Clyde Space

Financial overview — Group*

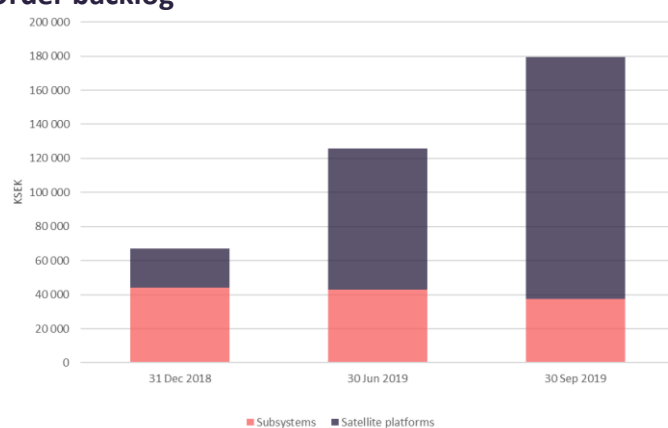
kSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Full-year 2018
EBITDA	-7 900	-13 845	-22 080	-31 933	-28 481
EBIT	-11 055	-17 946	-31 810	-43 556	-43 265
Loss after tax	-11 083	-17 877	-32 190	-43 136	-42 681
Basic and diluted earnings per share, SEK	-0,12	-0,26	-0,40	-0,66	-0,65
Equity/assets ratio, %	85%	92%	85%	92%	91%
Cash flow from operating activities	-7 380	-16 932	-16 018	-35 871	-48 610
Cash flow for the period	-14 269	-18 069	47 243	-16 509	-24 986
Cash and cash equivalents	59 551	20 609	59 551	20 609	12 237

* Key performance indicators for 2019 were impacted by the implementation of IFRS 16 *Leases*. The comparative figures for 2018 have not been restated. Refer to Note 7 for information about the effects of the implementation of IFRS 16.

Net sales – Rolling 12 months



Order backlog





Comments from the CEO

Welcome to AAC Clyde Space's 3rd Quarter interim report for 2019. This has been an exciting quarter with important changes to the company branding and image, and transformational contract awards that have cemented our position as a leader in the market for small satellites and space industry components.

The contract with Eutelsat announced in September, marks the second time this year that a major satellite operator placed their trust in AAC Clyde Space to deliver an operational capability, with the potential for significant further orders in the future. Our strategy to offer small spacecraft, developed for volume production, in combination with a comprehensive service package, is gaining a solid foothold in the market.

The contract helped to grow our order backlog to a healthy 180 million SEK at the end of September, almost three times larger than at the beginning of 2019. More importantly, it shows the growing importance of CubeSats and small satellites for delivering operational services that used to be done by bigger, more complex systems. We continue to see a robust demand for our products, both in subsystems and missions, with a healthy and exciting pipeline of new opportunities. In October we booked our 50th Sirius product sale, an important milestone for a product that has been on the market for less than two years.

Our revenues remained lower in the quarter than what I would like, but they are growing and recorded an increase of approximately 40% over the third quarter last year. Our EBITDA remained negative, as we continue to invest in our future. We have strengthened our delivery capacity in recent months with new people joining the team, bringing in skills and resources.

The new commercial branding "AAC Clyde Space" launched in August, also became the official name of the company. The name reflects the strong heritage of our Swedish and Scottish arms, further helping the integration of both teams and product lines. At the same time, we introduced new product families, rationalising the existing ones and providing a more focused marketing.

After a period of consolidation of our operations we have now moved to a phase centred on improving the performance of the company, preparing it for the opportunities that lay ahead. We continue to look for opportunities to grow, both organically and through acquisitions. The increased provision of services, the growing popularity of our platforms and the success of our subsystems will form the basis of our organic growth. Over the coming year we will update our subsystem designs, upgrade our offerings and introduce new products. In the current quarter, we focus on delivering on our contracts and on planning the coming year. It will be a busy and exciting quarter for our great team, both in Uppsala and Glasgow.

Luis Gomes
CEO

FINANCIAL OVERVIEW

Third quarter 2019

Sales and earnings

More product deliveries than in the year-earlier period boosted net sales to SEK 14.2 M (10.4). Total revenue amounted to SEK 18.1 M (11.8) after an increase in other operating income to SEK 3.2 M (1.3). The increase in other operating income was due to the expectation that Clyde Space Ltd. will receive a larger appropriation than that previously calculated from the Scottish tax authorities pertaining to costs for investments in the new development of subsystems and satellite platforms (R&D Tax Credit). EBITDA totalled SEK -7.9 M (-13.8). EBITDA excluding exchange losses amounted to SEK -6.8 M (-12.6).

EBIT was SEK -11.0 M (-17.9). The Group applies IFRS 16 Leases as of 1 January 2019; refer to Note 7. EBITDA increased SEK 0.9 M and EBIT increased SEK 0.2 M as a result of introducing IFRS 16 Leases. In accordance with the transition rules for IFRS 16, the modified retrospective approach is applied and the comparative figures have therefore not been restated.

Loss after tax totalled SEK -11.1 M (-17.9).

January–September 2019

Sales and earnings

Net sales amounted to SEK 45.9 M (48.9). EBITDA totalled SEK -22.1 M (-31.9). EBITDA excluding exchange losses and acquisition costs totalled SEK -18.7 M (-21.9).

EBIT was SEK -31.8 M (-43.6). EBITDA increased SEK 2.8 M and EBIT increased SEK 0.5 M as a result of the introduction of IFRS 16 Leases from 1 January 2019. In accordance with the transition rules for IFRS 16, the modified retrospective approach is applied and the comparative figures have therefore not been restated.

Loss after tax totalled SEK -32.2 M (-43.1).

Investments and financial position

The Group's investments in non-current assets, excluding the 2018 acquisition of Clyde Space, totalled SEK 7.9 M (1.4), of which intangible assets were SEK 1.4 M (1.4). Available cash and cash equivalents as of 30 September 2019 totalled SEK 59.6 M (20.6) and an unutilised bank overdraft facility of SEK 5 M.

Cash flow from operating activities during the period totalled SEK -16.0 M (-35.9) after working capital decreased SEK 6.7 M (-12.4). The increase in working capital was due to large payments from customers (advances and deliveries) and a grant of GBP 566,000 paid from the tax authorities to the Scottish company Clyde Space regarding the new development of subsystems and satellite platforms in 2018. Cash flow from the preceding period included acquisition costs of SEK 8.8 M. In June, the oversubscribed rights issue raised funds of SEK 82.5 M for the company before issue expenses, and accordingly, full financing is expected to be in place for the company's plans.

Inventory increased to SEK 11.8 M (7.5) as a result of stockpiling standard products and ongoing product deliveries. Accounts receivable rose to SEK 26.3 M (7.0), mainly due to prepayment invoicing for new projects and higher sales. Current liabilities increased to SEK 52.3 M (23.8), mainly due to prepayments from customers and unearned revenue.

The equity/assets ratio amounted to 85% (92). Since 1 January 2019, the new reporting standard IFRS 16 Leases has been applied, which has resulted in an increase of SEK 14.5 M in total assets. The Group's equity/assets ratio, excluding IFRS 16, was 88%.

Personnel and organisation

There were 92 employees (90) at the end of the period.

Parent Company

Parent Company net sales for the period totalled SEK 18.5 M (16.5), and the loss after tax was SEK -16.0 M (-20.2). Investments in non-current assets totalled SEK 0.5 M (387), where the preceding period included the acquisition of Clyde Space for SEK 385 M, comprised of a share issue of SEK 354 M, cash of SEK 22.4 M and acquisition costs of SEK 8.8 M. The equity/assets ratio amounted to 98% (97).

In the third quarter, AAC Clyde Space AB distributed a shareholders' contribution of SEK 28.3 M to the subsidiary Clyde Space Ltd. The shareholders' contribution was executed through the conversion of non-current receivables and accounts receivable.

The share

Since 21 December 2016, AAC Clyde Space's share has been traded on Nasdaq First North Stockholm, under the symbol AAC. In March 2019, the listing was moved to Nasdaq First North Premier Growth Market.

As of 30 September 2019, 96,207,759 shares had been issued at a quotient value of SEK 0.04 per share. All shares carry equal rights to the company's profits and assets. On 30 September, the number of shareholders totalled 5,915. A table with the largest shareholders is shown on page 13 in this report.

Personnel and a limited circle of Board members have subscribed for 19,380 TO 2015/2020 warrants, whereby each warrant conveys the right to subscribe for 50 new shares at a subscription price of SEK 4.80 per share. The warrants can be exercised up to and including 31 December 2020. As of 30 September 2019, 420 options have been exercised and 18,960 warrants remain. The remaining warrants convey the right to subscribe for 948,000 shares.

Related-party transactions

During the period, Board members have invoiced the company under market conditions for the performance of consultant services linked to the company's operations. The services were performed primarily by the Chairman of the Board, refer to Note 6.

Significant events after the end of the reporting period

Continued success for Sirius with a major European satellite manufacturer ordering two complete Sirius subsystems for SEK 11.3 M with delivery in the second quarter of 2020 for an as yet undisclosed space mission. In addition to the Sirius command and data handling (CD&H) subsystems, AAC Clyde Space will also supply Starbuck Micro power control systems as well as other components and services for the satellites.

The US Air Force Academy ordered three solar panels and eight 1.2Nms reaction wheels for its FalconSat program. The order, with a value of around USD 655,000 (about SEK 6.4 M), will be delivered in the third quarter of 2020. FalconSAT is the United States Air Force Academy's small satellite engineering programme and is one of the most successful student satellite programmes in the world, having been running since 1997. The FalconSat satellites are designed, built, tested and operated by the programme's students.

The Extraordinary General Meeting for AAC Microtec AB on 29 October 2019 resolved to change the company name to AAC Clyde Space AB, and to amend the limits for the share capital to not less than SEK 3,600,000 and not more than SEK 14,400,000 and to change the limits for the number of shares outstanding to not less than 90,000,000 and not more than 360,000,000. The changes were registered with and approved by the Swedish Companies Registration Office as of 6 November 2019. Accordingly, the Parent Company and the Group have changed name to AAC Clyde Space.

VP Business Development Iraklis Hatzathanasiou has decided to leave the Group. Until further notice, CEO Luis Gomes is acting VP Business Development.

Significant risks and uncertainties

An account of the Group's significant financial and business risks can be found in the administration report and under Note 3 in the 2018 Annual Report. No further significant risks are deemed to have arisen during the period.

COMING REPORTS

Year-end Report 2019	20 Feb 2020
Annual Report 2019	7 May 2020
Interim Report Jan–Mar 2020	28 May 2020
Annual General Meeting 2020	28 May 2020
Interim Report Jan–Jun 2020	27 Aug 2020
Interim Report Jan–Sep 2020	26 Nov 2020

The Annual Report and interim reports are available on the company's website: www.aac-clyde.space.

2020 ANNUAL GENERAL MEETING

The Annual General Meeting will be held in Uppsala at 1:00 p.m. on 28 May 2020. Notice convening the meeting will be sent not later than 30 April 2020.

The Board of Directors and CEO give their assurance that the report for the period January–September 2019 provides a true and fair account of the Parent Company's and Group's operations, financial position and results, and that it describes the significant risks and uncertainties faced by the Parent Company and the companies that form the Group.

Glasgow, 21 November 2019

Rolf Hallencreutz Chairman of the Board	Per Aniansson Board member	Per Danielsson Board member
Will Whitehorn Board member	Anita Bernie Board member	Luis Gomes CEO

Questions may be directed to:

CEO Luis Gomes, investor@aac-clydespace.com

CFO Mats Thideman, investor@aac-clydespace.com, mobile +46 70 556 09 73

About AAC Clyde Space

The AAC Clyde Space Group offers customised, turnkey services from design to operation of satellite systems in orbit, including reliable satellite platforms from 1 to 50 kg. In addition, we provide a complete offering of CubeSat and small satellite subsystems. AAC Clyde Space's unparalleled flight heritage and comprehensive offerings allow customers to achieve their goals with a single, reliable partner.

AAC Clyde Space AB (Corp. Reg. No. 556677-0599) has its registered office in Uppsala at Uppsala Science Park, Dag Hammarskjölds väg 48, SE-751 83 Uppsala, Sweden.

AAC Clyde Space's shares have been admitted to trading on Nasdaq First North Premier Stockholm. Erik Penser Bank AB, e-mail certifiedadviser@penser.se, telephone +46 (0)8-463 83 00, is the company's Certified Adviser

FINANCIAL STATEMENTS

Condensed consolidated statement of comprehensive income

kSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Full-year 2018
Net sales	14 193	10 447	45 856	48 938	77 888
Work performed by the Company for its own use and capitalised	655	109	2 136	1 436	1 481
Other operating income	3 251	1 265	8 605	4 348	9 802
TOTAL	18 099	11 821	56 597	54 722	89 171
Raw materials and subcontractors	-5 720	-6 282	-19 919	-20 188	-30 961
Personnel costs	-12 880	-12 660	-37 821	-39 778	-53 203
Other external expenses	-6 293	-5 453	-17 535	-16 690	-22 825
Other operating expenses	-1 106	-1 271	-3 402	-9 999	-10 663
EBITDA	-7 900	-13 845	-22 080	-31 933	-28 481
Depreciation/amortisation and impairment of tangible and intangible assets	-3 155	-4 101	-9 730	-11 623	-14 784
EBIT	-11 055	-17 946	-31 810	-43 556	-43 265
Financial income	53	27	74	80	87
Financial expenses	-196	-212	-749	-330	-427
Net financial items	-143	-185	-675	-250	-340
Income tax	115	254	295	670	924
PROFIT/LOSS FOR THE PERIOD	-11 083	-17 877	-32 190	-43 136	-42 681
Other comprehensive income: <i>Items that may be transferred to profit or loss</i>					
Exchange-rate differences	7 933	-3 697	17 699	13 345	6 870
Other comprehensive income for the period	7 933	-3 697	17 699	13 345	6 870
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-3 150	-21 574	-14 491	-29 791	-35 811

Profit/loss for the period and total comprehensive income are, in their entirety, attributable to Parent Company shareholders.

Earnings per share, based on profit for the period attributable to Parent Company shareholders

SEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
Average no. of shares – basic	96 207 759	68 719 829	80 936 687	64 954 309	65 636 012
Number of shares at end of period	96 207 759	68 719 829	96 207 759	68 719 829	68 719 829
Average no. of shares – diluted	96 207 759	68 719 826	96 207 759	68 719 829	65 916 894
Basic and diluted earnings per share	-0,12	-0,26	-0,40	-0,66	-0,65

Condensed consolidated statement of financial position

kSEK	30 Sep 2019	30 Sep 2018	31 Dec 2018
ASSETS			
Non-current assets			
Intangible assets	406 330	407 715	392 596
Tangible assets*	24 121	4 189	4 208
Total non-current assets	430 451	411 904	396 804
Current assets			
Inventory	11 828	7 469	6 457
Accounts receivable	26 330	7 016	10 138
Other receivables	23 431	13 661	27 327
Cash and cash equivalents	59 551	20 609	12 237
Total current assets	121 140	48 755	56 159
TOTAL ASSETS	551 591	460 659	452 963
EQUITY AND LIABILITIES			
Equity attributable to Parent Company shareholders	470 822	423 883	412 056
Non-current liabilities			
Liabilities to credit institutions	762	1 382	1 194
Other non-current liabilities	12 006	–	–
Deferred tax liabilities	4 040	4 418	4 083
Total non-current liabilities	16 808	5 800	5 277
Current liabilities			
Accounts payable	11 673	7 210	11 061
Other liabilities**	52 288	23 766	24 569
Other current liabilities	63 961	30 976	35 630
TOTAL EQUITY AND LIABILITIES	551 591	460 659	452 963

* Of which right-of-use assets kSEK 14,894 (30 Sep 2019)

** Of which lease liability kSEK 2,517 (30 Sep 2019)

Condensed consolidated statement of changes in equity

kSEK	Share capital	Ongoing new share issue	Other contributed capital	Reserves	Retained earnings incl. profit for the period	Total equity
Opening balance, 1 January 2018	1 268	34	141 550	75	-97 074	45 853
Profit/loss for the period					-43 136	-43 136
Other comprehensive income				13 345		13 345
Total comprehensive income	0	0	0	13 345	-43 136	-29 791
Transactions with shareholders						
Directed share issue	261	-34	49 772			49 999
New share issue supported by warrants			6			6
Issue in kind	1 220		358 605			359 825
Issue expenses			-2 011			-2 011
Closing balance, 30 September 2018	2 749	0	547 922	13 420	-140 210	423 881
Opening balance, 1 January 2018	1 268	34	141 550	75	-97 074	45 853
Profit/loss for the period					-42 680	-42 680
Other comprehensive income				6 870		6 870
Total comprehensive income	0	0	0	6 870	-42 680	-35 810
Transactions with shareholders						
Directed share issue	261	-34	49 772			49 999
New share issue supported by warrants			6			6
Issue in kind	1 220		352 799			354 019
Issue expenses			-2 011			-2 011
Closing balance, 31 December 2018	2 749	0	542 116	6 945	-139 754	412 056
Opening balance, 1 January 2019	2 749	0	542 116	6 945	-139 754	412 056
Profit/loss for the period					-32 190	-32 190
Other comprehensive income				17 680		17 680
Total comprehensive income	0	0	0	17 680	-32 190	-14 510
Transactions with shareholders						
Preferential rights issue	1 100	0	81 364			82 464
Issue expenses			-9 189			-9 189
Closing balance, 30 September 2019	3 849	0	614 291	24 625	-171 944	470 822

Equity is attributable in its entirety to Parent Company shareholders.

Condensed consolidated statement of cash flows

kSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Full-year 2018
Cash flow from operating activities before changes in working capital	-8 043	-14 094	-22 761	-23 501	-28 826
Total changes in working capital	663	-2 838	6 743	-12 370	-19 784
Cash flow from operating activities	-7 380	-16 932	-16 018	-35 871	-48 610
Cash flow from investing activities	-6 221	-81	-7 862	-28 262	-20 316
Cash flow from financing activities	-668	-1 056	71 123	47 624	43 940
CASH FLOW FOR THE PERIOD	-14 269	-18 069	47 243	-16 509	-24 986
Cash and cash equivalents at start of period	73 659	38 650	12 237	37 203	37 203
Exchange-rate differences in cash and cash equivalents	161	28	71	-85	20
CASH AND CASH EQUIVALENTS AT END OF PERIOD	59 551	20 609	59 551	20 609	12 237

Cash flow from operating activities before changes in working capital for Jan-Sep 2018 included acquisition costs of kSEK 8,756.

Condensed Parent Company income statement

kSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
Net sales	4 489	2 126	18 494	16 540	38 144
Work performed by the Company for its own use and capitalised	-	109	520	1 436	1 481
Other operating income	94	285	1 099	839	1 078
Total operating income	4 583	2 520	20 113	18 815	40 703
Raw materials and subcontractors	-1 951	-1 068	-6 350	-5 019	-9 636
Personnel costs	-4 105	-4 099	-14 619	-15 113	-21 516
Other external expenses	-3 498	-3 380	-11 603	-11 882	-16 113
Other operating expenses	-84	-674	-526	-999	-1 521
EBITDA	-5 055	-6 701	-12 985	-14 198	-8 083
Depreciation/amortisation and impairment of tangible and intangible assets	-1 240	-2 100	-3 693	-6 250	-7 441
EBIT	-6 295	-8 801	-16 678	-20 448	-15 524
Other interest income and similar profit/loss items	268	208	815	300	530
Interest expenses and similar profit/loss items	-2	-39	-102	-79	-82
Impairment of shares in subsidiaries	-	-	-	-	-92 000
Total profit from financial items	266	169	713	221	-91 552
PROFIT AFTER FINANCIAL ITEMS	-6 029	-8 632	-15 965	-20 227	-107 076
Tax on profit/loss for the period	-	-	-	-	-
Profit/loss for the period	-6 029	-8 632	-15 965	-20 227	-107 076
Other comprehensive income: <i>Items that may be transferred to profit or loss</i>					
Exchange-rate differences	-	-	-	-	-
Other comprehensive income for the period	0	0	0	0	0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-6 029	-8 632	-15 965	-20 227	-107 076

Condensed Parent Company balance sheet

kSEK	30 Sep 2019	30 Sep 2018	31 Dec 2018
ASSETS			
Non-current assets			
Intangible assets	7 121	11 231	10 142
Tangible assets	29	238	182
Financial assets	324 592	388 328	296 328
Total non-current assets	331 742	399 797	306 652
Current assets			
Inventory	3 475	3 292	2 109
Accounts receivable	3 483	1 218	3 234
Receivables from Group companies	6 169	14 814	20 981
Other receivables	9 059	3 081	11 571
Cash and bank balances	56 546	20 370	11 233
Total current assets	78 732	42 775	49 128
TOTAL ASSETS	410 474	442 572	355 780
EQUITY AND LIABILITIES			
Equity			
Restricted equity	8 418	7 824	9 753
Non-restricted equity	393 410	423 542	334 765
Total equity	401 828	431 366	344 518
Non-current liabilities			
Other liabilities to credit institutions	-	368	-
Total non-current liabilities	0	368	0
Current liabilities			
Accounts payable	2 039	3 030	3 297
Liabilities to Group companies	103	103	103
Other liabilities	6 504	7 705	7 862
Other current liabilities	8 646	10 838	11 262
TOTAL EQUITY AND LIABILITIES	410 474	442 572	355 780

Shareholders as of 30 September 2019

SHAREHOLDERS	NUMBER OF SHARES	VOTES & CAPITAL
UBS SWITZERLAND AG, W8IMY	13 965 911	14,5%
Fouriertransform AB	9 888 688	10,3%
Mediuminvest A/S	8 063 576	8,4%
SIX SIS AG, W8IMY	7 863 021	8,2%
Försäkringsaktiebolaget, Avanza Pension	3 657 378	3,8%
BNY MELLON SAVV (FORMER BNY), W8IM	2 038 972	2,1%
Kock, John	1 875 521	1,9%
Nordnet Pensionsförsäkring AB	1 773 004	1,8%
Petersen, Jan Christer	1 612 536	1,7%
Fällström, John	1 000 000	1,0%
Others	44 469 152	46,2%
TOTAL	96 207 759	100,0%

NOTES

Note 1 General information

AAC Clyde Space AB (publ) Corp. Reg. No. 556677-0599 is the Parent Company registered in Sweden with its registered office in Uppsala at Uppsala Science Park, Dag Hammarskjölds väg 48, SE-751 83 Uppsala, Sweden.

Unless otherwise stated, all amounts are in thousands of SEK (kSEK). Data in parentheses pertain to the comparative period.

Note 2 Summary of significant accounting policies

This Interim Report has been prepared in accordance with IAS 34 Interim Financial Reporting.

The Parent Company's interim report has been prepared in accordance with the Swedish Annual Accounts Act and recommendation RFR 2 of the Swedish Financial Reporting Board.

The accounting policies applied agree with those described in the AAC Clyde Space Group's Annual Report for 2018, with the exception that AAC Clyde Space applies IFRS 16 Leases to the Group from 1 January 2019. The implementation of the standard entails a certain effect on the financial statements. For information about the effects in connection with the transition to IFRS 16, refer to Note 8. The accounting policies under IFRS 16 are listed below. The Parent Company, AAC Clyde Space AB, has chosen not to apply IFRS 16 Leases, but as of 1 January 2019 has applied the points indicated in RFR 2 (IFRS 16 Leases, pp. 2–12).

Leases

The Group's leases consist largely of premises and vehicles. Leases are normally signed for fixed periods of one to five years, but there may be an extension option, which is described below. The terms are negotiated separately for each lease, and contain a large number of differing conditions.

Leases are recognised as right-of-use assets, and a corresponding liability is recognised on the day the leased asset becomes available for use by the Group. Every lease payment is distributed between repayment of the liability and financial costs. The financial cost is allocated across the lease term so that each reporting period is charged an amount equivalent to a fixed interest rate for the liabilities recognised in each period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the useful life of the asset and the term of the lease.

Assets and liabilities arising from leases are initially recognised at present value. Since IFRS 16 has been applied as of 2019, all right-of-use assets have been measured at the value of the lease liability, adjusted for pre-paid lease payments attributable to the leases as of 1 January 2019.

The lease liabilities include the present value of the following lease payments:

- fixed fees
- variable lease payments dependent on an index

The lease payments are discounted using the incremental borrowing rate.

Right-of-use assets are measured at cost and include the following:

- the initial measurement of the lease liability
- payments made on or before the point in time when the leased asset is made available to the lessee

Low-value leases are expensed on a straight-line basis in profit or loss.

Options for extending and cancelling leases

Options for extending or cancelling leases are included in the asset and the liability where it is reasonably certain that they will be utilised. The terms are used to maximise flexibility in processing the leases.

Note 3 Segment information

Description of segments and primary activities

AAC Clyde Space's strategic steering group, consisting of its Chief Executive Officer, Chief Financial Officer, Chief Strategy Officer, Chief Operating Officer, Chief Technology Officer and VP Business Development, corresponds to the chief operating decision-maker (CODM) for the AAC Clyde Space Group and evaluates the Group's financial position and performance as well as makes strategic decisions. Management has determined the operating segments based on the information reviewed by the executive committee for the purposes of allocating resources and assessing performance.

The strategic steering group has identified two reportable segments in the Group's operations:

AAC Clyde Space, Swedish operation

AAC Clyde Space primarily develops and produces data processing and power systems for CubeSats and small satellites (1–500 kg).

Clyde Space, Scottish operation

Clyde Space offers customised, turnkey services from design to operation of satellite systems in orbit, including reliable satellite platforms and subsystems from 1 to 50 kg.

The strategic steering group primarily uses adjusted earnings before interest, tax, depreciation and amortisation (EBITDA, see below) in assessing the operating segment's earnings.

EBITDA

	Jul–Sep 2019	Jul–Sep 2018	Jan–Sep 2019	Jan–Sep 2018	Jan–Dec 2018
AAC Clyde Space	-6,983	-6,668	-13,426	-14,108	-7,980
Clyde Space	-917	-7,177	-8,654	-9,069	-11,745
Other*	–	–	–	-8,756	-8,756
Total EBITDA	-7,900	-13,845	-22,080	-31,933	-28,481

* Acquisition costs of Clyde Space

A reconciliation of the Group's earnings before tax and EBITDA is shown below.

	Jul–Sep 2019	Jul–Sep 2018	Jan–Sep 2019	Jan–Sep 2018	Jan–Dec 2018
Total EBITDA	-7,900	-13,845	-22,080	-31,933	-28,481
Net financial items	-143	-185	-675	-250	-340
Depreciation and amortisation of tangible and intangible assets	-3,155	-4,101	-9,730	-11,623	-14,784
Loss before tax	-11,198	-18,131	-32,485	-43,806	-43,605

Note 4 Net sales

Income

Sales between segments are carried out at arm's length. Since income from external parties is reported to the strategic steering committee, it is measured in a manner consistent with that in the consolidated statement of comprehensive income. The majority of income is recognised over time.

July–September 2019

	Clyde Space	AAC Clyde Space	Other	Total
Income by segment	10,096	4,489	–	14,585
Income from other segments	2	-394	–	-392
Income from external customers	10,098	4,095	0	14,193
Satellite platforms	4,910	–	–	4,910
Subsystems	5,188	4,095	–	9,283
Licenses/Royalties	–	–	–	–
Total	10,098	4,095	0	14,193

July–September 2018

	Clyde Space	AAC Clyde Space	Other	Total
Income by segment	8,321	2,126	–	10,447
Income from other segments	–	–	–	0
Income from external customers	8,321	2,126	0	10,447
Satellite platforms	2,790	–	–	2,790
Subsystems	5,531	2,126	–	7,657
Licenses/Royalties	–	–	–	–
Total	8,321	2,126	0	10,447

January–September 2019

	Clyde Space	AAC Clyde Space	Other	Total
Income by segment	28,354	18,494	–	46,848
Income from other segments	-372	-620	–	-992
Income from external customers	27,982	17,874	0	45,856
Satellite platforms	12,771	–	–	12,771
Subsystems	15,211	17,760	–	32,971
Licenses/Royalties	–	114	–	114
Total	27,982	17,874	0	45,856

January–September 2018

	Clyde Space	AAC Clyde Space	Other	Total
Income by segment	32,398	16,540	–	48,938
Income from other segments	–	–	–	0
Income from external customers	32,398	16,540	0	48,938
Satellite platforms	15,551	–	–	15,551
Subsystems	16,847	14,166	–	31,013
Licenses/Royalties	–	2,374	–	2,374
Total	32,398	16,540	0	48,938

January–December 2018

	Clyde Space	AAC Clyde Space	Other	Total
Income by segment	47,142	38,144	–	85,286
Income from other segments	–	-7,398	–	-7,398
Income from external customers	47,142	30,746	0	77,888
Satellite platforms	17,440	–	–	17,440
Subsystems	29,702	24,254	–	53,956
Licenses/Royalties	–	6,492	–	6,492
Total	47,142	30,746	0	77,888

Note 5 Financial instruments — Fair value of financial liabilities measured at fair value through profit or loss

As of 30 September 2019, there were no financial liabilities measured at fair value. In earlier periods, financial liabilities were measured at fair value in the form of currency futures. At 30 September 2018, the fair value for currency futures amounted to kSEK -301 and was recognised in other current liabilities in the balance sheet, and changes in value were recognised in other operating expenses in the statement of comprehensive income. Fair value for currency futures are found in Level 2 of the fair value hierarchy.

Definitions of the levels in the fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as price listings) or indirectly (i.e. derived from price listings).

Level 3: Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The carrying amounts for liabilities to credit institutions recognised at amortised cost correspond with their fair values for the current period and the comparative period.

Note 6 Related-party transactions

During the period, Board members invoiced the company kSEK 757 at market rates for the performance of consultant services linked to the company's operations. The services were primarily performed by the Chairman of the Board.

Note 7 New accounting policies: IFRS 16 Leases

This note explains the effects on the consolidated financial statements from the application of IFRS 16 Leases. The following adjustments were made in the balance sheet on the transition date (1 January 2019) regarding IFRS 16 Leases:

	CB 31 Dec 2018	Effect of transition to IFRS 16	OB 1 Jan 2019
Tangible assets	4,208	16,814	21,022
Other receivables	27,327	-414*	26,913
Lease liabilities, of which	–	16,400	16,400
Current	–	2,592	2,592
Non-current	–	13,808	13,808

*refers to prepaid expenses

IFRS 16 has had a minimal impact on operating profit and a minimal impact on earnings after financial items. The Group applies IFRS 16 Leases as of 1 January 2019, which resulted in amended accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition rules for IFRS 16, the Group applies the modified retrospective approach and has therefore not restated the comparative figures. On transition, all right-of-use assets were measured at an amount corresponding to the lease liability adjusted for pre-paid lease payments attributable to the leases as at 31 December 2018. The following exemption rules were applied to transition:

- The right-of-use assets have been classified based on asset type and by country, and the discount rate has been established based on country and asset class.
- The right-of-use period was determined with the help of knowledge after the fact as regards, for example, extension options and cancellation clauses.

The weighted average incremental borrowing rate used on the initial date of application (1 January 2019) was 4.5%.

Below is an explanation of the difference between operating lease obligations recognised under IAS 17 immediately before the initial date of application (i.e. on 31 December 2018) and lease liabilities recognised under IFRS 16 on the initial date of application (i.e. 1 January 2019).

Obligations for operating leases as at 31 December 2018	9,177
Discount with the Group's incremental borrowing rate, 4.5%	-2,096
Added: liabilities for finance leases as at 31 December 2018	–
(Less): short-term leases, expensed straight-line	-13
(Less): low-value leases, expensed straight-line	-90
Added/(less): adjustments due to other use of options to extend or cancel agreements	9,422
Added/(less): adjustments owing to changes in indexes or prices, attributable to variable payments	–
Lease liabilities recognised at 1 January 2019	16,400

Note 8 Financial performance indicators

Definitions of key performance indicators

Equity/assets ratio, %	Equity divided by total assets
EBITDA	Operating profit/loss before depreciation/amortisation
Order backlog	The total at the end of the period of remaining unearned project revenue on confirmed orders, including products that have yet to be delivered or invoiced



Auditor's report

AAC Clyde Space AB reg. no. 556677-0599

Introduction

We have reviewed the condensed interim financial information (interim report) of AAC Clyde Space AB as of 30 September 2019 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Report Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Uppsala, 21 november 2019

Öhrlings PricewaterhouseCoopers AB

Lars Kylberg
Authorized Public Accountant
Auditor in Charge

Andreas Mattsson
Authorized Public Accountant