BRINGING SPACE DOWN TO EARTH

AAC CLYDE SPACE

ANNUAL REPORT AND ACCOUNTS
2020

2020 HIGHLIGHTS

TANGIBLE PROGRESS DESPITE THE PANDEMIC

XSPANCION CONTRACT WON

XSPANCION

- Three-year project co-funded by public and private partners, including the UK Space Agency via the European Space Agency

- Designing and developing an innovative constellation, including the manufacture of 10 spacecraft, that businesses can use for a range of applications

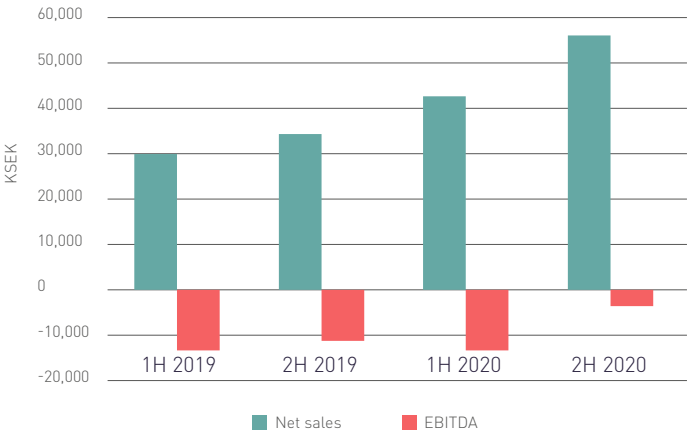
- Will anchor the development of Space-Data-As-A-Service to our clients

Annual General Meeting
The general meeting will be held on Thursday 27 May 2021 at 10.00 CET, shareholders may not attend in person or by proxy. Physical presence at the meeting will be limited to persons that is required in order to carry out the general meeting (e.g. chairman of the meeting, keeper of the minutes and someone to attest the minutes). The board of directors has appointed attorney Marcus Nivinger to open the general meeting.

Information in relation to the corona virus (COVID-19)
In view of the recent developments of the spread of the corona virus (COVID-19), the board of directors has, in accordance with section 20 of the Act (2020:198) on temporary exceptions to facilitate the execution of general meetings in companies and other associations resolved to not allow shareholders to participate in person or by proxy at the general meeting held on Thursday 27 May 2021. Shareholders may however influence the meeting by postal voting in accordance with the below.

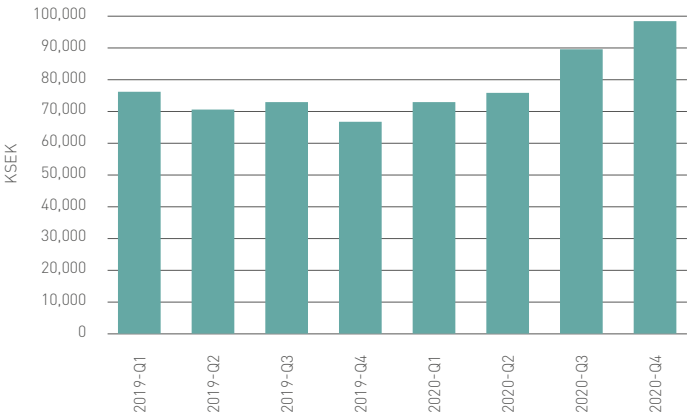
Please see page 43 for further information about postal voting.

NET SALES AND EBITDA BROKEN DOWN BY SIX-MONTH PERIOD*

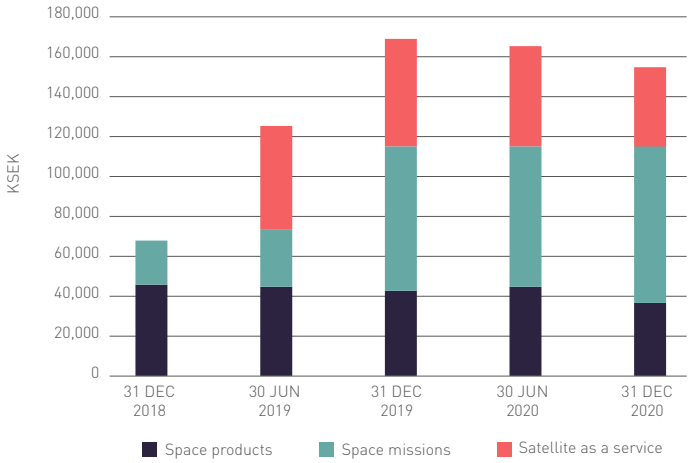


*Excluding acqusition costs and non-recurring personnel costs

NET SALES – ROLLING 12 MONTHS



ORDER BACKLOG



THREE STRATEGIC ACQUISITIONS COMPLETED

HYPERION

The Hyperion acquisition extends our product offering and access to key technologies, adding substantial capability to our missions. It brings in-house equipment widely used in our satellites, giving us greater control over our supply chain and further reducing costs through economies of scale

SPACEQUEST

This acquisition gives us a strong foothold in the US – the world's largest and most dynamic space market – and provides immediate clients and profitable revenues for our Space Data as a Service business, the central pillar of our growth strategy

OMNISYS

Through the Omnisys acquisition (completed April 30 2021) we gain 28 years of experience in developing profitable, high-performance electronics hardware, including world-class sensors. This will enable us to build constellations that can provide high-quality data with great sampling frequency to a data hungry market. In particular, we gain a leading position in space-based weather data, a field set to grow strongly as new technology supports dramatically improved forecasts

ROBUST FINANCIAL PERFORMANCE (2019 comparison)

+48%

Net sales (organic growth):
SEK 98.4M (66.4)

+36%

EBITDA:
SEK -17.5M (-27.3), excluding acquisition costs of SEK 7.6M and non-recurring personnel costs of SEK 1.8M

CONTENTS

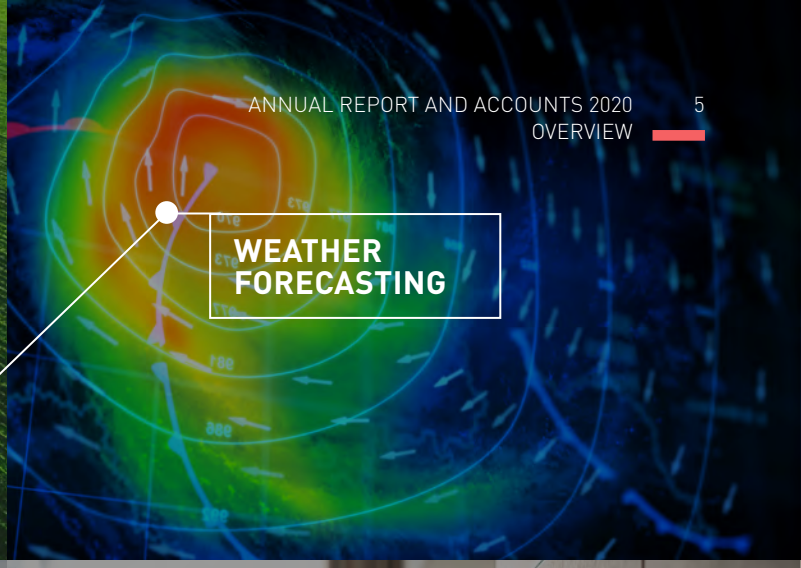
The English version of the annual report is a translation from the Swedish version of the annual report. If there are any differences between the version, the Swedish version should prevail since it has been subject to audit.

OUR VISION

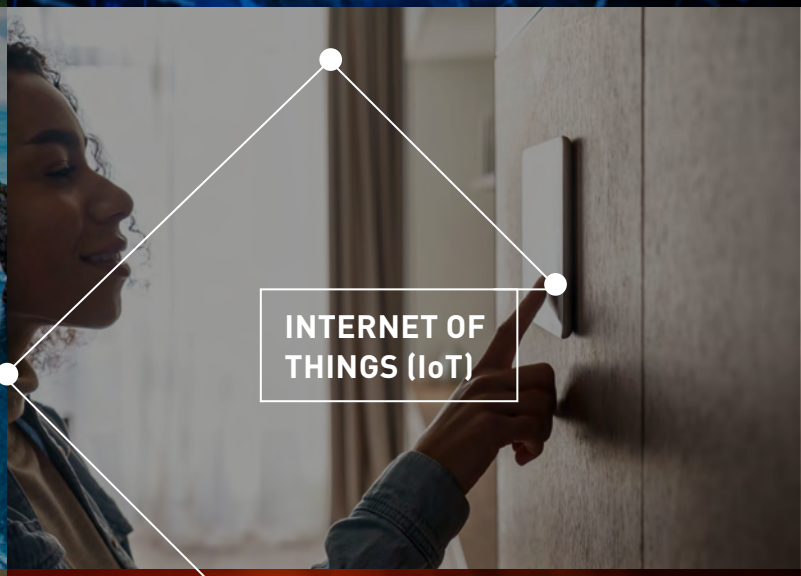
TO DELIVER HIGH-QUALITY, TIMELY DATA FROM SPACE FOR A BETTER LIFE ON EARTH.

SPACE: A CRITICAL PERSPECTIVE TO SOLVE PRESSING GLOBAL CHALLENGES


PRECISION FARMING


WEATHER FORECASTING


COASTAL POLLUTION MITIGATION


INTERNET OF THINGS (IoT)


ACCESS TO HEALTHCARE


WILDFIRE DETECTION


MARINE EFFICIENCY


AIR POLLUTION CONTROL

AT A GLANCE

>15

years' operational experience

>120

employees across UK, Sweden, Netherlands and the US

29

satellites designed, manufactured and launched to date

OF OVER 1,000 NANOSATELLITES LAUNCHED UP TO END 2020, AAC CLYDE SPACE IS REPRESENTED ON 30–40%.

WHAT WE DO

At AAC Clyde Space, we are changing the economics of space data. We specialise in small satellite technologies and services that enable a growing number of commercial, government and educational organisations to access high-quality, timely data from space. This data has a vast range of applications, from weather forecasting to precision farming to environmental monitoring, and is essential to improving our quality of life on Earth.

Some of our clients include Orbcomm, NSLComm, OHB Sweden, Intuitive Machines, Orbital Micro Systems, the United States Airforce Academy, UK Space Agency, European Space Agency and NASA.

The global small satellite market is expanding rapidly, driven by technological advances, falling costs and an insatiable demand for data. AAC Clyde Space is backed by 15 years' operational experience. With in-house expertise that spans from subsystems through to advanced sensors and data delivery, our combined workforce brings its expertise to bear across three core areas.

OUR SUBSIDIARIES

AAC Clyde Space
Sweden

AAC Clyde Space
Scotland

Hyperion Technologies
Netherlands

SpaceQuest
USA

Omnisys
Sweden*

The Group's main operations are located in Sweden, the United Kingdom, the Netherlands and the USA, with partner networks in Japan and South Korea. Shares of the Group's Swedish parent company, AAC Clyde Space AB, are traded on Nasdaq First North Premier Growth Market in Stockholm and on the OTCQX Market in the US.

*As of April 30, 2021

OUR DIVISIONS

SPACE-DATA-AS-A-SERVICE

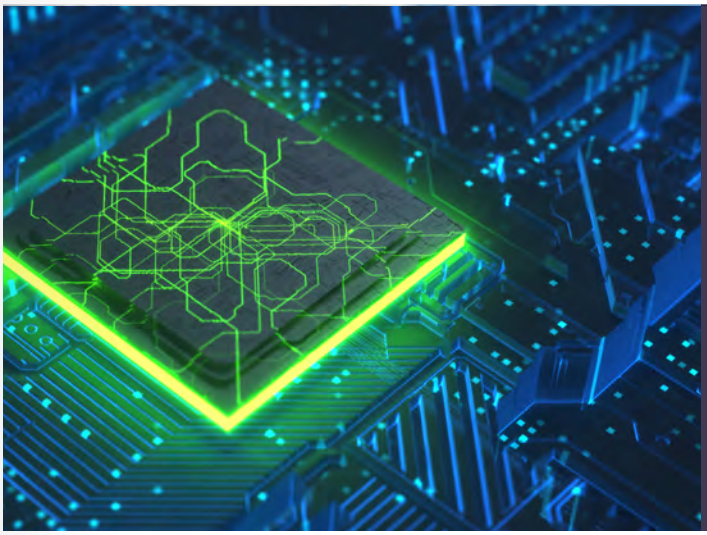
Timely, high-quality data from space delivered directly to clients. We take care of the space part – from design through to build, launch, operation and data delivery – so clients can focus on their core business without needing to own or manage space assets themselves.

Read more on page 24

SPACE MISSIONS

Fully assembled micro and nano satellite platforms (1-50kg) and customizable mission services, available for direct sale or as a comprehensive package including: mission design, manufacturing and integration of components, launch and ground services. Our turnkey offering empowers clients to both customise and streamline their space missions.

Read more on page 26



SPACE PRODUCTS & COMPONENTS

A full range of off-the-shelf and tailor-made subsystems for cube and small satellites (up to 500kg), for use in our own platforms and by third parties.

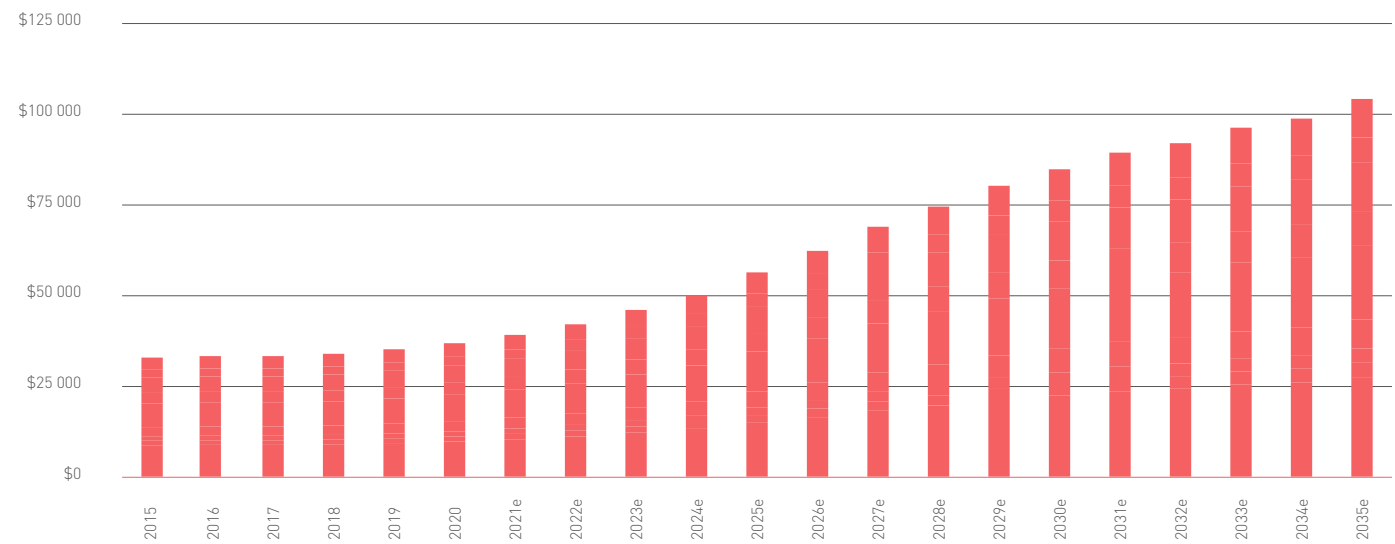
Read more on page 28

THE SPACE MARKET

GET READY FOR THE NEW SPACE REVOLUTION

Soon, satellites orbiting above us in space will support over 7 billion people down here on Earth in almost every aspect of day-to-day life. Morgan Stanley* estimates that the revenue generated by the global space industry may increase to more than $1trn by 2040 – almost equal to Mexico's GDP.

THE GLOBAL SPACE ECONOMY ($t)



Source: Haver Analytics, Morgan Stanley Research forecasts

*Morgan Stanley, Space: Investing in the Final Frontier, July 2020

From precision farming to weather forecasting, tracking commercial shipping and driverless cars, satellites are now enabling an ever-growing range of applications at a standard and scale far beyond what terrestrial solutions alone can deliver. Starting this decade, they will transform entire industries to improve our quality of life on Earth.

Changing the economics of space

Of course, satellites have already been in use for several decades. But their widespread adoption has been stifled by prohibitively high costs – in the hundreds of millions of dollars for a single mission – which has restricted access to space mainly to governments and a handful of large multinational companies. Now, advances in small satellite technology and new smart payloads and sensors are making a much wider range of commercial applications possible – and economically viable. Space is evolving from a government dominated domain into a commercial one.

Small is beautiful

Firstly, small satellites are cheaper to build and easier to deploy than traditional models. CubeSats, in particular, are standardized, meaning they can be mass-produced using off-the-shelf components and launched more easily than their customized counterparts.

Thanks to advances in technology, small satellites can perform many of the same tasks as larger spacecraft at a lower altitude and a fraction of the weight. For example, our ocean-monitoring 3U CubeSat, SEAHAWK, weighs 4kg and is about the same size as a shoebox; its predecessor weighed 300kg (traditional satellites can be as big as a bus). At the same time, launch costs per kg are falling dramatically while launch capacity is increasing as specialist providers enter the market.

The lower altitude of small satellites also results in improved service quality. Unlike large satellites, which are usually launched into high-altitude geostationary orbits (GEOs), small satellites are mainly deployed at low-earth orbits (LEOs). Being closer to the Earth's surface reduces latency (time lag) issues, enabling real-time communications; it also provides higher resolution images for earth observation.

From one to many – at pace

By changing the economics of space, small satellites are enabling operators to engage large constellations. These constellations provide a much higher sampling frequency than previously possible – in other words, they can deliver close to real-time data.

This timeliness of data has great value and creates opportunities for optimization and prediction across a vast range of applications, such as: fighting wildfires, cargo monitoring (for example, vaccines, which must be kept at precise temperatures in transit) and tackling illegal fishing, to name just a few.

Furthermore, emerging data needs can be satisfied at a totally new pace. The nature of small satellite technology, especially CubeSats, means that the lead-time for these constellations, from concept to data delivery, is a fraction of what it is for large geostationary satellites. This means that satellites can effectively be launched on demand, for example, to collect information in response to a catastrophe or to monitor a conflict zone.

"THE REVENUE GENERATED BY THE GLOBAL SPACE INDUSTRY MAY INCREASE TO MORE THAN $1TRN BY 2040 – ALMOST EQUAL TO MEXICO'S GDP."

THE SPACE MARKET

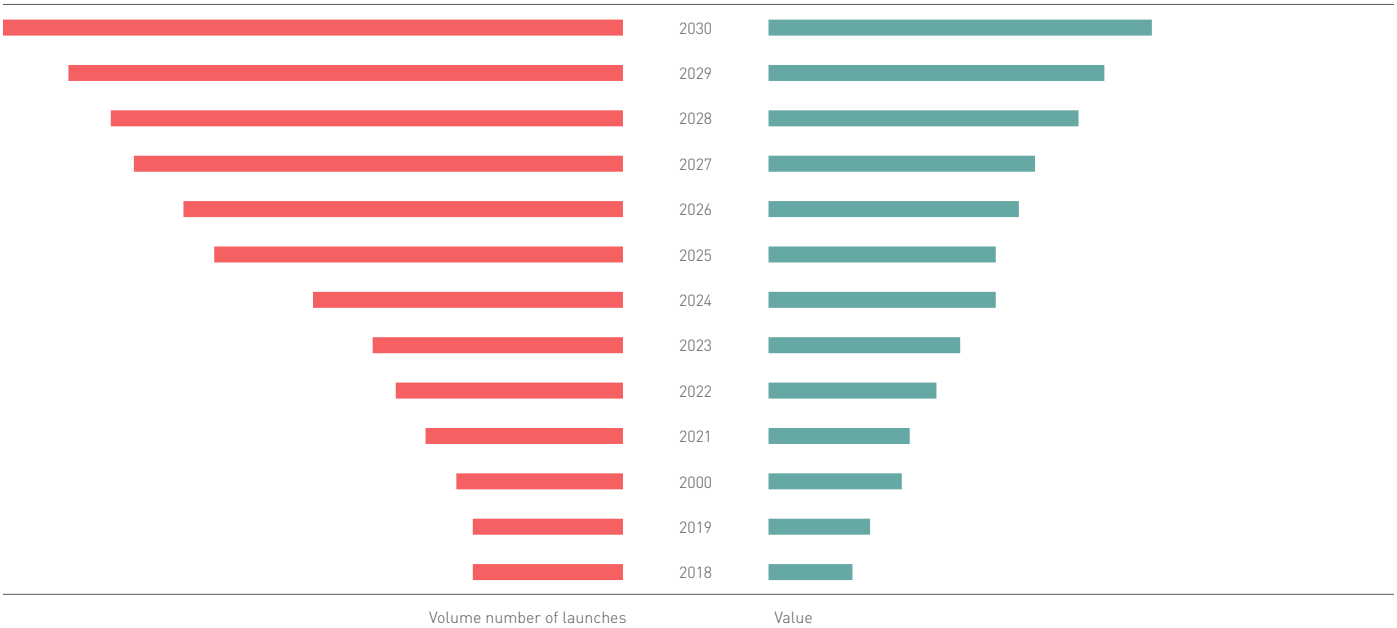
Exponential growth

The global small satellite market is projected to grow at a compound annual growth rate of 20.5% from 2020 to 2025* – outpacing most others, including IT and finance. It's an exciting time in the industry, with fast innovation cycles and a rapidly expanding range of space applications. As a result, we're seeing an unprecedented number of companies eager to tap into this lucrative space-based data-driven market.

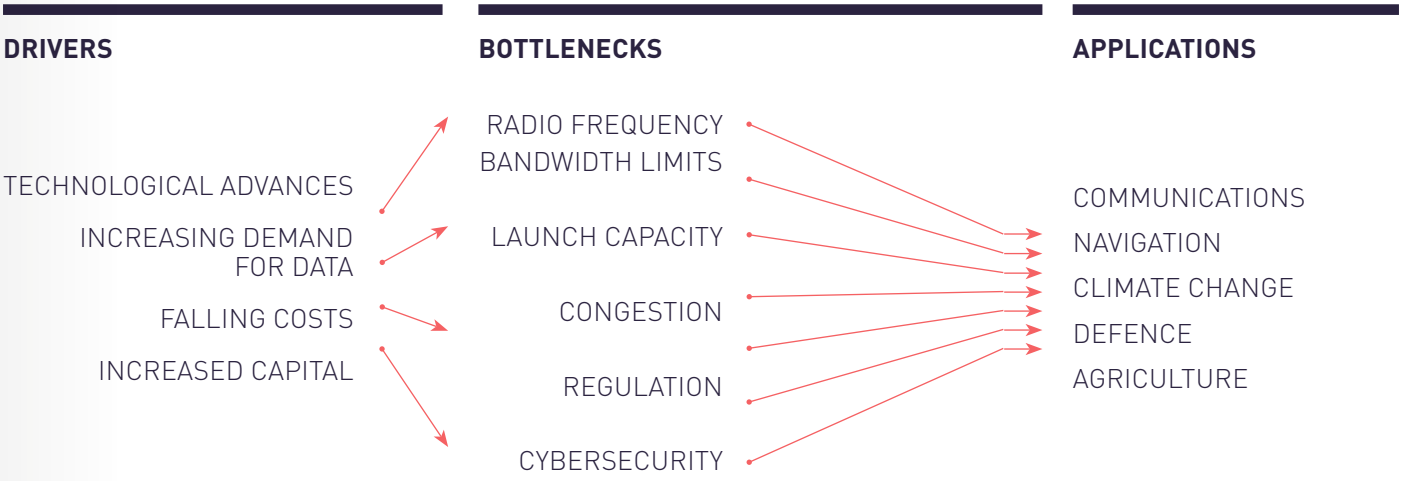
The number of small satellites launches is expected to explode into the thousands over the next decade, driven by the deployment of mega-constellations (networks of a hundred satellites or more) such as Amazon's Project Kuiper and SpaceX's Starlink – but also smaller constellations. Communications applications, including 'internet-in-the-sky' proposals, are expected to dominate, followed by those related to earth observation.

As demand for data continues to grow, the industry is already working to deliver the next generation of constellation services to even more businesses through projects like xSPANCION: from scaled, responsive manufacturing to satellite multitasking, in-orbit data processing and storage, inter-satellite communications and end-user interfaces. And new sensors are providing data that wasn't even available before. So, watch this space.

SMALL SATELLITE MARKET EVOLUTION 2018-2030



*Reportlinker market research, August 2020



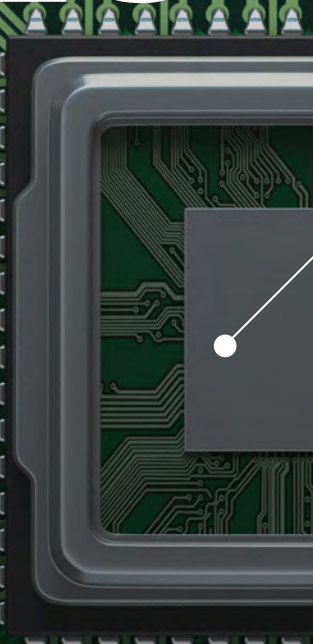
"THE GLOBAL SMALL SATELLITE MARKET IS PROJECTED TO GROW AT A COMPOUND ANNUAL GROWTH RATE OF 20.5% FROM 2020 TO 2025"

"NOW, ADVANCES IN SMALL SATELLITE TECHNOLOGY AND NEW SMART PAYLOADS AND SENSORS ARE MAKING A MUCH WIDER RANGE OF COMMERCIAL APPLICATIONS POSSIBLE – AND ECONOMICALLY VIABLE."

SATELLITES: A PARADIGM SHIFT

CASE STUDY **ORBITAL MICRO SYSTEMS**

FROM MICROWAVES



More accurate weather and Earth observation data for businesses – anytime, anywhere

The world needs more accurate weather forecasting. Extreme weather events – from excessive rainfall to coastal flooding and wildfires – were responsible for much devastation across our planet in 2020.

All too often, the response is reactionary because businesses and governments lack the information needed to prepare. The result is unnecessary lives lost, business disruption and major insurance costs. The United Nations estimates the direct economic losses from weather disasters between 1998–2017 at almost USD 3 trillion.

AAC Clyde Space is working with Orbital Micro Systems (OMS), amongst others, to deliver accurate and timely weather information to businesses worldwide and enable faster, informed decision-making in the face of weather-driven emergencies.

We are delivering satellites for OMS's Global Environmental Monitoring System (GEMS). The GEMS constellation improves the precision and clarity of weather forecasts across the globe by capturing passive microwave soundings to record temperature, humidity and precipitation at multiple altitudes, regardless of cloud cover.

We have already delivered one 3U CubeSat (IOD-1 GEMS), which has been in-orbit and delivering data since July 2019. We are now delivering a 6U CubeSat in 2022, as well as launch and commissioning support.

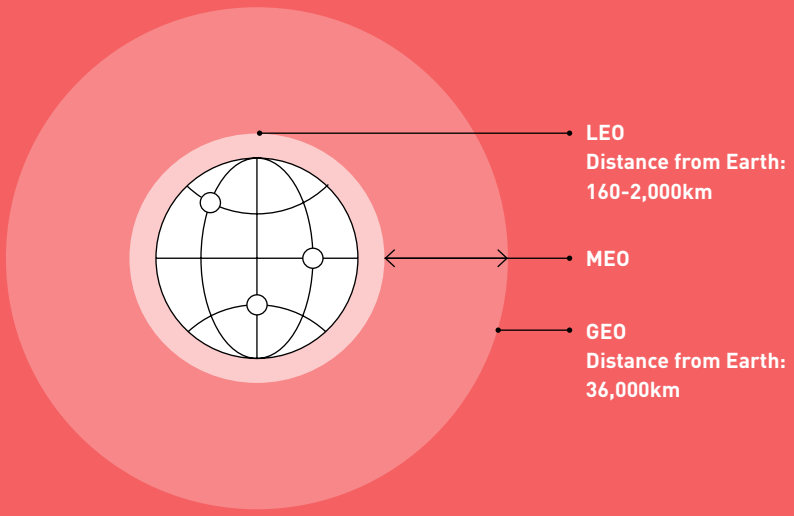
At full deployment, GEMS will deliver near real-time data for any point on earth. This will enable governments and businesses worldwide – from insurance to aerospace, maritime, energy and agriculture – to improve their understanding of our environment, create operational efficiencies and minimize disruption and damage caused by extreme weather.

TO WEATHER FORECASTING

"OMS IS OVER-THE-MOON WITH THE PERFORMANCE OF THE IOD-1 GEMS PLATFORM. THEY HAVE DELIVERED ON ALL POINTS: POWER, OPERATIONAL READINESS, COMMAND AND CONTROL, AND DATA DELIVERY."

WILLIAM HOSACK, CEO ORBITAL MICRO SYSTEMS, INC.

FACTOIDS



LOWER-EARTH ORBIT (LEO)

LEO satellites operate closer to Earth, so their coverage per satellite is much smaller. But unlike GEO satellites, which must always orbit along Earth's equator, LEO satellites can orbit along a range of routes. When operated as a constellation, LEO satellites can work together to offer continuous global coverage, even of the most remote areas on Earth.

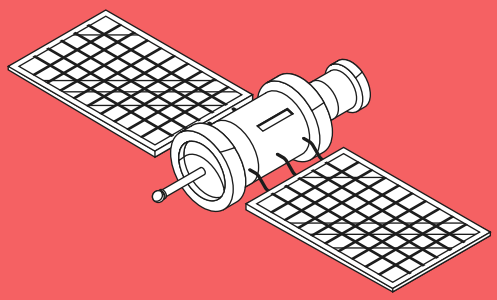
Today, many communications, navigations, space mission, and observation satellites are in low-earth orbits. Among these are the International Space Station, which orbits at an altitude of around 350km.

MEDIUM EARTH ORBIT (MEO)

MEO is the region of space around Earth above lower-Earth orbit and below geostationary orbit. The most common use for satellites in this region is navigation, such as the Global Positioning System (GPS).

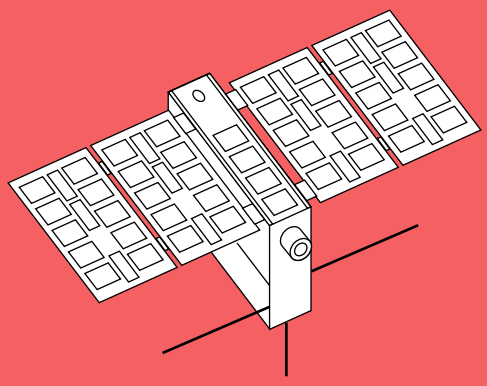
GEOSTATIONARY ORBIT (GEO)

GEO satellites circle Earth above the equator. They follow the Earth's rotation exactly so that, from the ground, they appear to be stationary. GEO satellites can provide coverage over large, fixed areas, but due to the Earth's curvature they cannot provide continuous service above or below certain latitudes.



WHAT IS A SATELLITE?

By 'satellite', we mean man-made machines that are launched into space and orbit the Earth. Satellites are designed for different applications such as navigation, communication and earth observation. They're launched into various orbits, such as low Earth orbit (LEO and geostationary orbit (GEO), with the help of propelling rockets.



WHAT IS A CUBESAT?

A CubeSat is a miniaturized satellite, made up of standard units (U). Each unit is 10cm x 10cm x 10cm (small enough to hold in your hand) and usually weighs just over 1kg. These units can be stacked, like building blocks, to build CubeSats of different sizes.

CubeSats are enabling a growing range of businesses to access space services. Unlike customized satellites, they conform to specific standards, which makes them lower cost: their products and components can be mass-produced and bought off-the-shelf, and they are easier to transport and deploy. As technology improves, CubeSats are replacing larger satellites in scientific and commercial missions, taking on increasingly advanced tasks and offering new types of data.

CEO LETTER LUIS GOMES

FROM SCIENCE FICTION TO FACT

Space, in the minds of many, belongs to a distant, often fictional world of Jedi Knights, time travel and Starfleet command ships exploring the outer reaches of the universe. While much of this is likely to remain fiction for some time to come, the reality is just as exciting, as we apply new advances in small satellite technology to improve every facet of life on our own planet Earth.

From increased crop yields via precision farming, even in the most remote areas; to reliable internet access for half the population who are still unconnected; to driverless cars, small satellites will underpin new technologies and services across multiple industries, finally enabling us to address real challenges, such as the digital divide and climate change, on a global scale.

Bringing "Moore's Law" to space

Why now? The cost of space and long lead-times have always been a huge barrier to entry. But small satellites are fundamentally changing the economics of space: in the same way that smartphones put significant computing power in the palm of your hand, small satellites will revolutionise life on Earth by enabling a range of applications from orbit, often at a fraction of the cost and time of legacy satellite systems.

At AAC Clyde Space we are hugely excited to bring the benefits of space to Earth, and over the past year we've made great strides in positioning ourselves as the partner of choice for commercial, governmental and educational organisations.

Becoming a world leader in commercial small satellites and services from space

In 2020, we made significant progress in three key areas: our technical capabilities, our service offerings to clients and improving our ability to deliver missions and data at scale.

The acquisition of Hyperion Technologies, in the fourth quarter, has expanded our product line, bringing products and subsystems that will significantly improve our missions. It also adds propulsion and laser communications to the range of AAC's capabilities, key technologies for our future service provision which will help us to overcome two major challenges faced by the industry: congestion and radio frequency bandwidth limits.

The xSPANCION public private partnership that we signed with ESA and the UK Space Agency underpins the expansion of our Space Data as a Service offering for the next three years – the central pillar of our growth strategy. Allied with the new capabilities that we acquired just before year-end in SpaceQuest – an already operational satellite constellation and network of ground stations – this will enhance and accelerate our ability to deliver space-based data and services to our clients to meet fast-growing demand. SpaceQuest has also strengthened our foothold in the US, the world's largest space market, providing immediate strong client relationships and a US manufacturing presence.

Last but by no means least, the acquisition of Omnisys in the second quarter of 2021, brings in house 28 years of experience in developing profitable, high-performance electronics hardware, including world-class sensors. This will be critical in building our Space Data as a Service offering. For example, Omnisys microwave sounders give us a new capability in space-based weather data, a field set to grow strongly as new technology enables huge improvements in forecasting.

Robust financial performance

Our financials for the year also show substantial progress. We achieved organic revenue growth of over 48% and a 36% improvement in EBITDA compared to 2019, exclusive of acquisition costs. This strong organic growth, supported by the addition of three profitable companies to the Group means we are now on target to be EBITDA and operating cash flow positive by 2022 and to increase Group sales to SEK 500M by 2024.

Overcoming Covid-19

It's a testament to the tenacity and fortitude of our highly skilled teams and partners that we have been able to achieve these results against the backdrop of a global pandemic that brought the Earth to a near standstill. Lockdowns from the early part of 2020 meant that by mid-March, over 90% of our team was working remotely. We had to completely reconfigure our cleanrooms to ensure the health and safety of our colleagues; but by year-end we had cleanrooms in full production with eight satellites in build – more than ever before; two more satellites in orbit and plenty of exciting new activities for the year ahead.

Despite the economic downturn, we maintained a strong level of sales during the year, securing three new missions and sales of several important subsystems. At the same time, we have completed three strategic acquisitions, two capital raises, and built a large and promising sales pipeline to drive growth in 2021 and beyond.

I'm particularly excited about the work we are doing with Saab and Orbcomm* to develop space-based VDES (Very High Frequency Data Exchange System). This work marks the beginning of a new era in maritime communications and has strong environmental benefits, including fuel and emissions savings on ships of up to 25%. See page 40 to find out more.

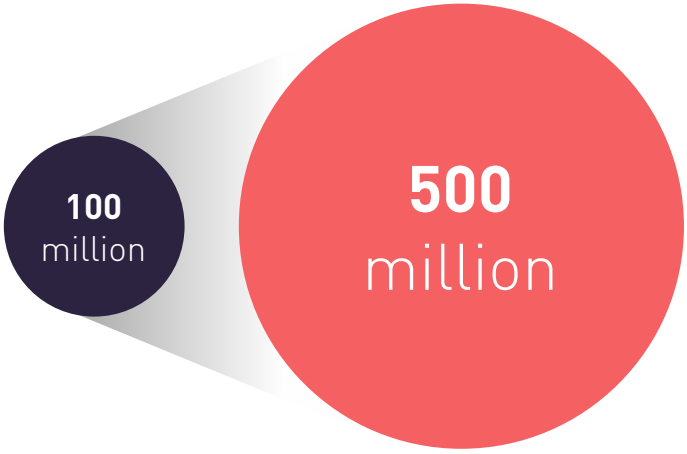
Focused on creating value for our clients

I expect 2021 to be a busy and exciting year, with many launches and critical deliveries scheduled. We will continue to deliver on our growth strategy – both organically and through acquisition, with a particular focus on integrating the latest additions to our Group and developing the next generation of Space Data as a Service for our clients.

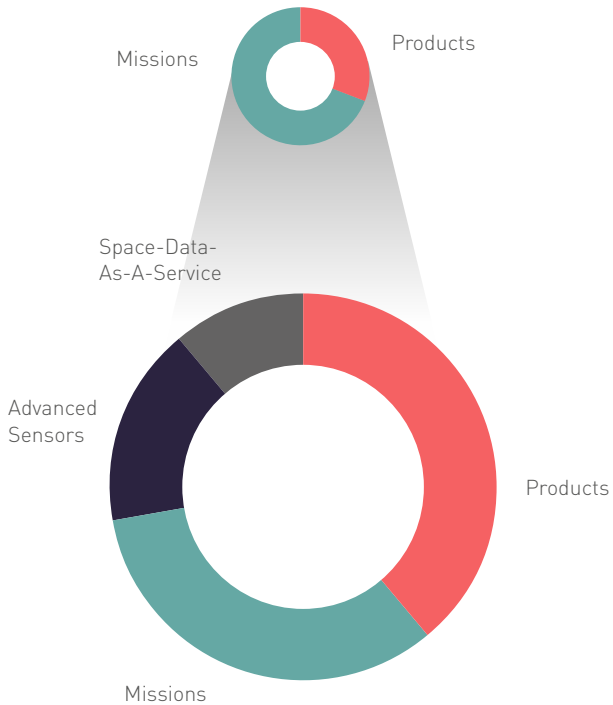
2020 was a challenging and unprecedented year for all of us. To my colleagues at AAC Clyde Space, thank you for your drive and daily commitment to realising our vision of the role small satellites can play in improving life on Earth. To our clients and suppliers, thank you for your collaboration and support. And thank you to all our shareholders for your backing – we remain focused on delivering long-term growth for you as the New Space economy takes off.

Luis Gomes
CEO

REVENUE GROWTH FROM 100MSEK IN 2020 TO 500 MSEK IN 2024



REVENUE GROWTH FROM 100MSEK IN 2020 TO 500 MSEK IN 2024



STRATEGIC PRIORITIES

BECOMING A WORLD LEADER IN COMMERCIAL SMALL SATELLITES AND SERVICES FROM SPACE

STRATEGIC PRIORITIES		STRATEGIC AGENDA
GROWTH	• Increase production capacity • Develop Space Data as a Service to appeal to and attract a wider range of clients • Focus on constellation clients and operating satellite networks	• **Further develop the Space Data as a Service offering.** AAC Clyde Space's full-service offering, to design, manufacture, launch and operate a satellite to deliver data to a client will be developed even further. There are opportunities to serve several clients from one satellite with more advanced payload management and to offer more advanced financial solutions • **Strong growth in our current markets as well as establish manufacturing in the US.** Local manufacturing is an important step towards attracting more US clients, and a requirement for certain defence contracts • **Start to significantly increase manufacturing capacity from 10s of satellites into the 100s.** This step will mainly take place through faster manufacturing and assembly
EFFICIENCY	• Significantly reduce costs through standardized platforms and subsystems • Improve system versatility	• **Develop a standardized and integrated platform design** to drive down costs even further while maintaining high performance, quality and reliability. Introduce more software defined that increases flexibility and changes in data need.
LEADERSHIP	• Dominate the market for small satellites in the 1-50kg range • Develop core products and technologies to ensure continued leadership • Maintain the high reliability, quality and performance of the product range	• **Design, manufacture and launch constellations** with new types of sensors where we provide data as a service • **Continued investment in our highly integrated, next-generation core avionics** with a focus on increased capability and versatility, to enhance our platforms and stand-alone subsystems

PROGRESS TO DATE	MEASURING FUTURE PROGRESS
• SpaceQuest acquisition gives us a strong foothold in the US – the world's largest and most dynamic space market – and provides immediate clients and profitable revenues for our Space Data as a Service business • xSPANCION contract will revolutionise our Space Data as a Service offering, supporting those business cases that to date have not been able to justify the capital expenditure to have hundreds of sensors in orbit. • Nearly 50% organic growth in 2020 • Omnisys acquisition brings 28 years of experience in developing profitable, high-performance electronics hardware, including world-class sensors. This will allow us to build constellations that provide high-quality, timely data • Three strategic acquisitions successfully completed: Hyperion, SpaceQuest and Omnisys	• Secure more Space Data as a Service contracts (grow to SEK 100M revenue by 2024)
• Hyperion acquisition brings in-house products widely used in our satellites, giving us greater control over our supply chain and further reducing costs through economies of scale • SEK 27M grant from Scottish Enterprise to design a scalable architecture built around a highly integrated core avionics system improves our ability to offer more affordable cutting-edge satellites for constellations • Through the xSPANCION project we will optimise processes around deploying constellations and delivering the data they collect to significantly reduce the cost of every message collected and every image captured.	• Integrate companies acquired and use combined capabilities to accelerate development
• Hyperion acquisition extends our product offering and access to key technologies, for example propulsion, adding substantial capability to our missions. • xSPANCION contract signed with UK Space Agency and ESA to build 10-satellite constellation. • SEK 27M grant from Scottish Enterprise to develop the next generation of nano and small satellites will boost our ability to scale up • Omnisys acquisition gives us a new capability in space-based weather data, a field set to grow strongly as new technology enables huge improvements in forecasting • Continued development of the Sirius range, our most powerful and efficient power system for advanced space missions, supports an ever-expanding range of applications, from cutting-edge science to earth observation	• Continue to use strategic acquisitions to enhance capabilities and advance our growth plan

BUSINESS MODEL

UNRIVALLED ACCESS TO SPACE

SPACE-DATA-AS-A-SERVICE

SPACE MISSIONS

SPACE PRODUCTS AND COMPONENTS

DESIGN

Our highly skilled team combines expertise from the aerospace, defence and commercial industries to deliver market-leading solutions and services. From design to delivery, we draw on decades of on-orbit heritage acquired over multiple successful missions. Our off-the-shelf products are designed to meet the needs of most clients, but they have built-in flexibility, which enables us to address bespoke requirements and customization at speed. Our design-for-manufacture ethos extends beyond subsystems to our platforms, which are designed with efficient, scalable AIT (assembly, integration and testing) in mind. Our techniques enable rapid iterations in the design of highly capable satellite platforms, enabling quick turnaround for agile timelines.

BUILD

AAC Clyde Space has five production facilities: Delft (Netherlands), Fairfax (Virginia, US), Glasgow (UK), Gothenburg and Uppsala (Sweden). Satellites and their subsystems are assembled in a combined lab space of almost 4,000m^2 by specially trained flight technicians and Assembly Integration and Test (AIT) engineers. Our extensive range of best-in-class manufacturing, testing and assembly equipment coupled with streamlined production techniques enable us to fulfil high volume requirements quickly while maintaining high standards of quality.

TEST

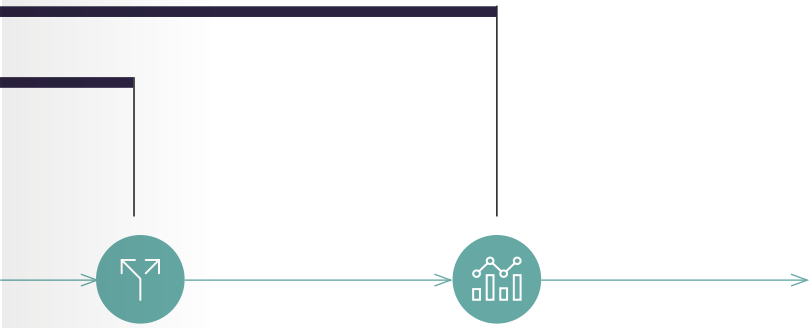
Our in-house automated test facilities and experienced team of test engineers rigorously verify product performance, supported by our strict quality management system. All hardware testing is performed in ESD-controlled laboratories or cleanrooms, where we can recreate the harsh conditions of launch and space environments. Our facilities include a large area solar simulator, Helmholtz cage, multiple thermal cycle chambers, large thermal vacuum chambers, and a vibration testing rig capable of achieving NASA GEVS (General Environmental Verification Standard) levels.

LAUNCH

We offer a suite of satellite mission services, including launch, insurance, licensing and ground services. Every mission is carefully analysed, from the technical aspects, to schedule and cost, fully utilising our world leading partnerships and supply chain. When combined with our high-volume production capability and market leading regulatory management, we offer our clients unrivalled access to space.

STRENGTHS WE RELY ON

- PEOPLE AND EXPERTISE
- ON-ORBIT HERITAGE
- GLOBAL FOOTPRINT
- CUSTOMER RELATIONSHIPS
- VERTICAL INTEGRATION
- MANAGED GROWTH



OPERATE

Through our own ground station network and agreements with multiple ground network operators, we are able to facilitate command and control of space assets globally, regardless of their orbits or communications frequency. With the acquisition of SpaceQuest, our ground station network now spans Sweden, the UK and US (Alaska, Hawaii and Virginia).

DELIVER DATA

In addition to delivering data from space on a mission-by-mission basis, we also own and operate a constellation of satellites, which enables us to offer a pure data service to clients. This is where we take care of everything, from spacecraft design to satellite operations, providing clients only with the high-quality, timely data they need. This service model is a key avenue of growth for AAC Clyde Space and, through projects such as xSPANCION, we are developing new technologies that will revolutionize our offering in this area: for example, intersatellite link capability, to optimise data capture, and a new cloud-based, application-focused customer interface.

CREATING LONG-TERM VALUE FOR...

SHAREHOLDERS
Aiming for long-term improvement in earnings per share.

CLIENTS
Enabling a growing range of businesses to access data from space, flexibly, affordably and reliably. Our order backlog has increased 133% since 2018.

PEOPLE
Creating challenging roles and development opportunities to attract and retain talent. We are committed to improving gender equality in the space industry and strive for equality across the Group.

COMMUNITIES
Fostering an understanding of our business and commitment through local community and STEM initiatives.

ENVIRONMENT
Ensuring that space technology works to the benefit of the Earth and space environment.

SUPPLIERS AND PARTNERS
Generating growth and development opportunities for the businesses that support and work with us.

LIVING BY OUR VALUES

Excellence
We believe that excellence happens by making the right choices over and over again

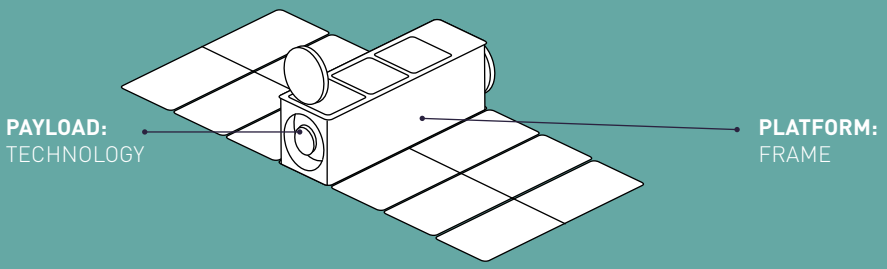
Innovation
We are continuously moving forward, anticipating market needs and pioneering new ideas

Team
We treat each other fairly and with respect. We want everyone to be part of the team

Client focus
We recognise that a client's perception is their reality – and that strong relationships with our clients are vital to our business

Integrity
We act openly and with honesty. We stand behind our promises

FACTOIDS

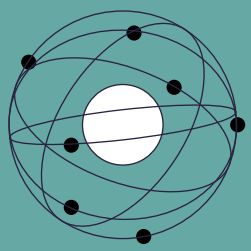


WHAT'S THE DIFFERENCE BETWEEN A PLATFORM AND A PAYLOAD?

Satellites can be notionally separated into two parts: a platform and payload.

The platform is the physical infrastructure of the spacecraft, including the equipment needed for the satellite to work, like the antennas, battery, computer etc...

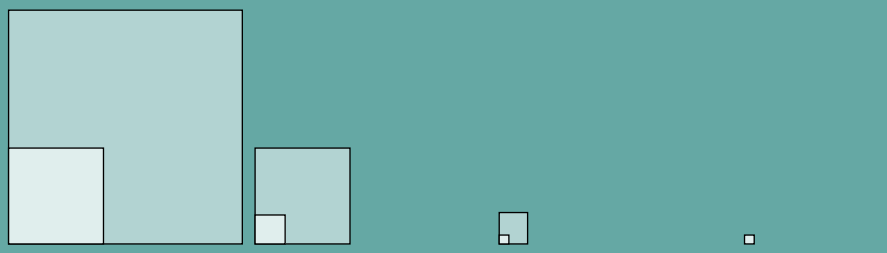
The platform carries the payload, which is the instrument that enables specific applications. For example, the camera is the payload for an earth observation satellite.



WHAT IS A CONSTELLATION?

Due to their lower (and falling) cost and much shorter build times, small satellites can be deployed in large numbers – allowing them to cover any place on Earth – much more economically than their expensive, larger ancestors. Hence, operators are increasingly choosing to use 'constellations' of small satellites to deliver their services.

In a constellation, many small satellites work together as a system to accomplish a mission – imagine a net around the Earth. In large enough numbers, they have the potential to deliver continuous, real-time global coverage, such that at any time, everywhere on Earth, at least one satellite is visible. This uniquely positions them to assess and address challenges, such as poverty, connectivity, resource management, urbanization, water security, climate change, and health, on a truly global scale.



Mini satellite:
100-500kg

Micro satellite:
10-100kg

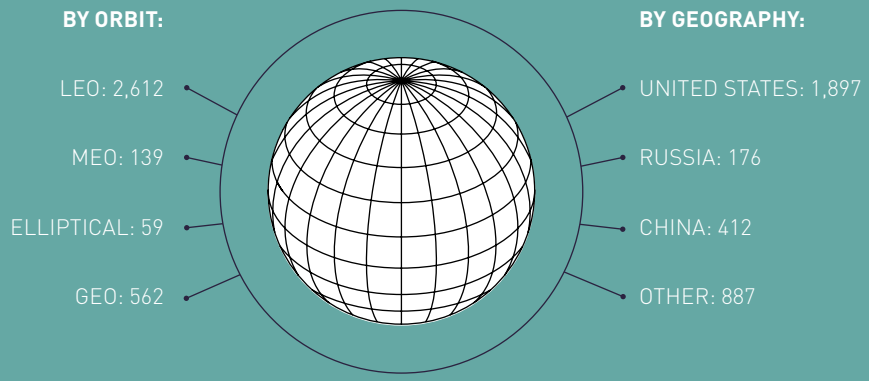
Nano satellite:
1-10kg

Pico satellite:
<1kg

HOW SMALL IS A SMALL SATELLITE?

Small satellites can weigh up to 500kg.

CubeSats are a subset of small satellites; many fall into the nano satellite range.



TOTAL NUMBER OF OPERATING SATELLITES BY END 2020: 3,372

HOW MANY SATELLITES ARE ORBITING EARTH?

Source: Union of Concerned Scientists (includes launches through to 31/12/2020)

SPACE-DATA-AS-A-SERVICE

SEK 3,068k

Revenue 2020 (vs 2019): kSEK 3,068 (2,940)

SEK 44,560k

Order backlog 2020 (vs 2019): kSEK 44,560 (55,275)

DATA DELIVERY

CUSTOMER PORTAL

PROTECTED DATA

Space Data as a Service (SDaaS) will be AAC Clyde Space's top growth engine over the coming years, helping us to reach target revenues of SEK 500M by 2024.

Through this service, AAC Clyde Space builds, owns and operates the satellites, delivering to clients only the data or communications they need, leaving them free to focus on enhancing their core business.

We are currently working with leading organisations, such as Orbcomm, to provide Space Data as a Service to various industries but, over time, we plan to deliver proprietary data services that can serve multiple clients.

In 2020, we made significant progress in accelerating the growth potential of SDaaS, chiefly through our acquisition of SpaceQuest, which provides immediate clients and profitable revenues in this area, and by securing the xSPANCION contract to design and develop an innovative constellation, which will anchor the development of SDaaS to our clients.

Another important step is the grant from the Swedish Transport Administration to develop the next generation of maritime communications. Together with Saab and ORBCOMM, we are developing the first satellite of a future constellation that will provide a space-based VDES (Very High Frequency Data Exchange System) for two-way communication between satellite and ground. The added space capability will increase VDES' range from the shoreline to anywhere in the ocean, converting what is currently a predominantly coastal system into a global maritime system. The satellite (a 3U CubeSat) is planned to launch in mid-2022 and will be the first satellite assembled at AAC Clyde Space's new integration facility in Uppsala. It will carry a VDES payload from Saab, and the data it captures will be integrated by ORBCOMM in its distribution centre. Once it has demonstrated its capabilities, the satellite is expected to be followed by a larger constellation that will revolutionize global maritime communications.

"THIS IS A SIGNIFICANT MILESTONE FOR OUR COMPANY, WITH AN IMPORTANT NEW SATELLITE CONTRACT AND A COLLABORATION WITH TWO IMPRESSIVE PLAYERS IN THE FIELD. THIS ALSO MARKS THE FIRST SATELLITE TO BE BUILT AT OUR NEW SATELLITE ASSEMBLY FACILITY IN SWEDEN. WE ARE VERY EXCITED TO BE PART OF A TEAM DELIVERING A NEW CAPABILITY TO SEAFARERS WORLDWIDE, IMPROVING SAFETY AND EFFICIENCY FOR MARITIME USERS."

Rolf Hallencreutz, Chairman, AAC Clyde Space

SPACEQUEST: A "WIN-WIN" ACQUISITION

In Q4 2020 we acquired SpaceQuest, a satellite technology developer based in the US, the world's largest and most dynamic market for small satellites.

SpaceQuest's already operates its own satellite constellation and ground station network to deliver a highly successful satellite data service. Through our global reach, this offering will now be marketed to a global audience in need of mission critical data from space, allowing us to rapidly grow our SDaaS business line.

Importantly, the SEK 73.5M acquisition also extends our manufacturing operations to the US (US-manufactured platforms are a requirement for US government licences) and brings valuable longstanding business relations with US clients, including government organizations. SpaceQuest has an extensive client base, including the Canadian Space Agency, NASA, US Navy, US Air Force, corporates such as LeoStella, Orbcomm, Iceye, Northrop Grumman, and universities.

Our highly complementary product lines offer great potential for a joint market approach spanning satellite components, platforms, missions and operations, and the supply of data services from space. Furthermore, SpaceQuest's profitable, established revenue streams should accelerate the attainment of positive EBITDA for the Group.

"WE ARE TRANSFORMING AAC INTO A TRUE LEADER IN THE SMALL SATELLITE FIELD. WITH SPACEQUEST WE GAIN A COMMERCIALLY ATTRACTIVE SPACE DATA AS A SERVICE BUSINESS AND A STRONG FOOTHOLD IN THE U.S, THE LARGEST AND MOST DYNAMIC SPACE MARKET."

Rolf Hallencreutz, Chairman, AAC Clyde Space

XSPANCION: ANCHORING SPACE-DATA-AS-A-SERVICE

In November, AAC Clyde Space announced xSPANCION, a project to develop a 10-CubeSat communications and earth-observation constellation. The project, potentially valued at 19.7 MEUR (ca SEK 202 M) across the first two phases, is being co-funded by public and private partners, including the UK Space Agency via the European Space Agency (ESA). Outside the project, we intend to enter into customer service agreements for data delivery from the constellation.

xSPANCION is transformational: it lays the groundwork for us to provide space data and services quickly and at low cost to organisations who are eager to harness the power of satellites to tackle on-earth problems – from climate change to maritime communications – without investing in space-based architecture or expertise themselves.

As part of the three-year project, we will collaborate with partners to optimise the process for satellite design, manufacturing, licensing and launch co-ordination at scale, as well as to develop new technologies for the future constellation, including in the areas of propulsion, intersatellite communications, safe and secure transmission of data and client interface.

"XSPANCION WILL REVOLUTIONIZE OUR SPACE-DATA-AS-A-SERVICE OFFERING. IT WILL ALLOW US TO SIGNIFICANTLY REDUCE THE COST OF EVERY MESSAGE COLLECTED, EVERY IMAGE CAPTURED, SUPPORTING THOSE BUSINESS CASES THAT TO DATE HAVE NOT BEEN ABLE TO JUSTIFY THE CAPITAL EXPENDITURE TO HAVE HUNDREDS OF SENSORS IN ORBIT. FUNDAMENTALLY, OUR CLIENTS WILL NO LONGER HAVE TO WORRY ABOUT HOW TO ACCESS SPACE; THEY CAN FOCUS ON HOW TO ENHANCE THEIR CORE BUSINESS."

Luis Gomes, CEO, AAC Clyde Space

SPACE MISSIONS

SEK 54,694k

Revenue 2020 (vs 2019): kSEK 54,694 (20,403)

SEK 75,588k

Order backlog 2020 (vs 2019): kSEK 75,588 (71,822)

LAUNCH SERVICES

- BROKERAGE
- LICENSING
- INSURANCE
- INTEGRATION

GROUND SERVICES

- FREQUENCY FILING
- DAILY TMTC
- PLANNING

EPIC SPACECRAFT

- EPIC-1U
- EPIC-3U
- EPIC-6U
- EPIC-12U

We operate in the premium segment of the 1-50kg satellite market, manufacturing fully assembled satellite platforms for direct sale or as a comprehensive mission package, including: mission design, manufacturing and integration of components, launch and ground services.

AAC Clyde Space's standardized satellite platform range, EPIC spacecraft, is designed with satellite constellation users in mind. These platforms are CubeSats and come in a range of standard sizes. For sizes bigger than 16U we can build customised structures using the same components. EPIC spacecraft can be used in a wide range of applications and can be supplied to the client either for integration with their payload, or as a fully integrated platform.

DELIVERING SATELLITES FOR CONSTELLATIONS

Increasingly, operators are choosing to use constellations of small satellites to deliver their services. In the last year, we are delighted to see two programmes advance from demonstration to commercialization, proof of the advantages that small satellites offer commercial applications.

NSLCOMM: CLOSING THE DIGITAL DIVIDE

NSLComm is using nanosatellites to deliver fast, reliable and affordable communications even in the most remote places on Earth. AAC Clyde Space delivered the first of these satellites (a 6U CubeSat, NSLSat-1) to NSLComm in 2019. It carries a 60-centimetre dish antenna and has reached most of its mission goals, communicating at all frequencies.

NSLComm has since appointed us as "preferred supplier" in its planned commercial constellation and tasked us to deliver the first satellite of this constellation, NSLSat-2, for launch in Q3 2021. AAC Clyde Space will provide a full end-to-end mission package for NSLSat-2: manufacture, launch, commission, operation of the satellite and delivery of a ground segment software solution.

"NSLCOMM IS SPEARHEADING HIGH THROUGHPUT COMMUNICATION FROM NANOSATELLITES. WE ARE DELIGHTED TO PARTNER WITH THEM IN THIS PROJECT, TAKING NANOSATELLITE-BASED SERVICES EVEN FURTHER"

Luis Gomes, CEO, AAC Clyde Space

ORBITAL MICRO SYSTEMS: IMPROVING WEATHER FORECASTING

In Q2 2020, AAC Clyde Space won an SEK 8M order for a 6U CubeSat from Orbital Micro Systems (OMS), to be launched as part of the UK Space Launch Programme. The satellite will be used in OMS's commercial GEMS (Global Environmental Monitoring Satellite) program to deliver accurate and timely weather information to businesses worldwide to improve operational efficiencies and minimize damage caused by extreme weather. It is scheduled for delivery in May 2021.

The order follows the in-orbit success of IOD-1 GEMS, a 3U CubeSat manufactured by AAC Clyde Space and carrying a payload from OMS, in a demonstration mission financed by the UK Satellite Applications Catapult. OMS's decision to use a 6U satellite, on which it will place a dedicated payload, transitions GEMS to a commercial project, and marks an important step forward in the company's plan to deploy a full constellation of small satellites as part of the program.

"THROUGH GEMS, AAC CLYDE SPACE FURTHER EXTENDS ITS INVOLVEMENT IN SPACE MISSIONS AIMED AT ENHANCING THE UNDERSTANDING OF OUR ENVIRONMENT. MISSIONS OF THIS KIND HELP US ALL IN THE QUEST FOR A SAFER AND MORE SUSTAINABLE LIFE ON EARTH."

Luis Gomes, CEO, AAC Clyde Space

SPACE PRODUCTS & COMPONENTS

SEK 43,690k

Revenue 2020 (vs 2019): kSEK 43,690 (45,918)

SEK 36,169k

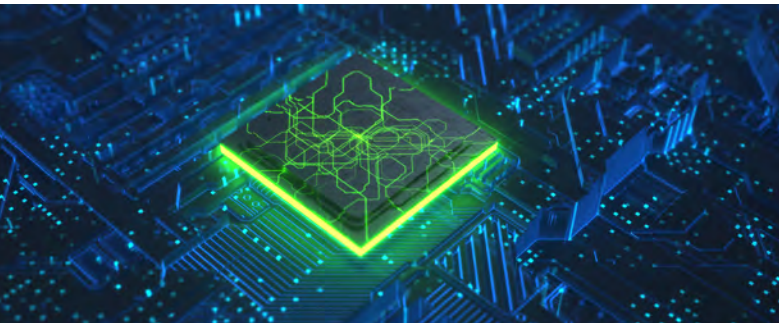
Order backlog 2020 (vs 2019): kSEK 36,169 (42,115)

CUBESAT TECHNOLOGY

- POWER
- ORBITAL DYNAMICS
- COMMS
- STRUCTURES
- COMMAND & DATA HANDLING

SMALLSAT TECH

- POWER
- ORBITAL DYNAMICS
- COMMAND & DATA HANDLING



"WE ARE VERY EXCITED TO BE PART OF THIS NEW ERA IN LUNAR EXPLORATION, SUPPORTING THE ULTIMATE CHALLENGE OF LANDING A SPACECRAFT ON THE MOON. IT IS GREAT TO SEE HOW FAR THE NEW SPACE INDUSTRY HAS DEVELOPED IN RECENT YEARS – INTUITIVE MACHINES WILL BE USING OUR FLIGHT-PROVEN STANDARDIZED STARBUCK SYSTEM TO POWER THEIR SPACECRAFT."

Luis Gomes, CEO, AAC Clyde Space

Good technology is the bedrock of our business. We manufacture standardized, miniaturized, advanced subsystems and components for cube and small satellites (up to 500kg), for use in our own platforms and missions and for direct sale.

We have supplied thousands of subsystems for a range of successful space missions. Our off-the-shelf subsystem range, Satellite Bits, includes power, avionics and on-board data handling solutions, which can be customised to meet the demands of specific missions. We also supply communication systems – including laser communication terminals – and some advanced payloads.

In 2020, our subsystems have been used successfully in several demanding applications, proving the quality of our products and earning the trust of our clients. We are currently working on two exciting projects which will further strengthen our credentials in this area.

INTUITIVE MACHINES: LUNAR MISSION

AAC Clyde Space is supplying the power systems, battery solutions and engineering services for the Nova-C lunar lander mission, led by Intuitive Machines.

Nova-C is the first lander of NASA's Commercial Lunar Payload Services (CLPS) initiative, which is focused on the study and exploration of the moon using commercial landers, developed and operated by private companies. It is scheduled for a robotic landing on the moon in the fourth quarter of 2021 as part of a new era of lunar exploration.

Power systems are the cornerstone of any mission and for this one Intuitive Machines will be using the Starbuck Mini, our most powerful and cost-efficient power system for advanced space missions. It has a strong flight heritage, excellent performance, and, thanks to its modular design, it is easy to scale and integrate on different types of mission, from lunar exploratory and deep space scientific missions to commercial constellation applications.

Nova-C will carry up to five NASA-provided and other commercial payloads. It will land on a dark region on the Moon, called Oceanus Procellarum, and transmit scientific data back to Earth during 13.5 days of activity on the moon.

BRITISH SPACE FORGE: IN-SPACE PRODUCTION

AAC Clyde Space has been commissioned by British Space Forge to design a satellite platform that will leverage the space environment for production in-orbit. The satellite is intended to stay in-orbit for six months and then descend to Earth for the product to be delivered to customers.

We will develop a satellite design based on our standard platforms, adjusting for re-entry into the atmosphere and landing on Earth. Normally, small satellites burn as they enter the atmosphere, minimizing space debris, but Space Forge are developing technologies to enable the return of satellites from space to Earth for recovery, refurbishment and eventual re-launch.

The order is for the first phase (approximately SEK 1.3M) of a potential larger project.

"IN-SPACE PRODUCTION IS THE SINGLE BIGGEST OPPORTUNITY TO USE SPACE TO CREATE BENEFITS BACK ON EARTH. OUR TECHNOLOGY ENABLES AT-SCALE IN-SPACE PRODUCTION AND RETURN. WE'RE EXCITED TO PARTNER WITH AAC CLYDE SPACE ON OUR PLATFORM DEVELOPMENT, THEY BRING THE PERFECT MIX OF INNOVATIVE ENGINEERING AND SATELLITE HERITAGE"

Joshua Western, CEO, Space Forge

HYPERION: CONTROLLING OUR SUPPLY AND BOOSTING OUR TECHNOLOGICAL CAPABILITIES

The Hyperion acquisition extends our product line, bringing in-house equipment widely used in our satellites. It also adds new technologies in propulsion and optical communications to our IP and adds a development team to our in-house R&D capability.

Increased production volumes and shared services are expected to create savings that will feed into increased price competitiveness. Furthermore, bringing together our business development and distribution channels will increase our global distribution network, improving our ability to sell globally.

Hyperion Technologies is based in Delft, Netherlands, close to one of Europe's top aerospace universities, strengthening the Group's presence within the European Union and providing a source of high calibre engineers and scientists.

SOLUTIONS

POWER SOLUTIONS
- PHOTON fixed and deployable solar panels
- OPTIMUS batteries
- STARBUCK electrical power systems

ORBITAL DYNAMICS
- Hyperion propulsion module
- Hyperion Integrated ADCS
- Hyperion Star Tracker
- Hyperion Sun Sensor
- SpaceQuest Horizon sensor
- Reaction wheels

COMMAND & DATA HANDLING
- KRYTEN series: a powerful computer, popular for CubeSat missions
- SIRIUS series: on-board computers and data storage subsystems, ideal for advanced missions

COMMUNICATIONS
- Hyperion CubeCAT lasercomm module
- Hyperion gigabit detector
- PULSAR-DATA series: compact transmitter solutions designed for advanced missions
- PULSAR-TMTC series: compact telemetry and command radio solutions
- SpaceQuest AIS receiver
- SpaceQuest & Hyperion satellite GNSS receivers

STRUCTURES
- ZAPHOD structure range

Hyperion has already captured its first order as part of the AAC Clyde Space group: a SEK 1.5M contract to carry out an in-orbit verification of CubeCAT, its space-based laser communication terminal. Laser communications are seen as a major potential enhancement to small satellite capabilities in the future, greatly increasing data transmission speeds for small satellites compared to current radio communications, which are restricted by limited bandwidth, high power demand and lengthy licensing processes.

FINANCIAL REVIEW

DELIVERING
ON OUR GROWTH STRATEGY

AAC Clyde Space enjoyed a successful 2020, despite the challenges of Covid-19. Revenues of SEK 98.4M were up 48% year-on-year, driven primarily by sales of satellite platforms. The effects of the pandemic on the Group's operations were mostly felt in the second quarter as we reconfigured cleanrooms and production areas to enable social distancing, which lowered production throughput.

Some suppliers struggled to deliver on time, causing delays and slowing revenue recognition. However, the acceleration of workload in the second half of the year fuelled a record-breaking third quarter, where revenue almost doubled to SEK 27.3M. This momentum continued into the fourth quarter, where we came close to break-even in with an adjusted EBITDA of SEK -1.6M, excluding acquisition and one-off personnel costs. Our full-year EBITDA (again, exclusive of acquisition and one-off personnel costs) improved by 36% compared to 2019. These numbers are in line with our plan to put the company on a path to growth and profitability, and we expect to be EBITDA and operating cash flow positive in 2022.

Unlocking new capabilities

During the year we closed several important contracts, ending the year with an order backlog of SEK 156M and clean rooms in full production, with eight satellites at different stages of manufacture – a Group record – and two more satellites in orbit.

Some of these projects introduce new capabilities to our portfolio of solutions, for example the VDES (Very High Frequency Data Exchange System) satellite, where, together with our partners Saab and Orbcomm, we are developing a mission that will transform global maritime communications. The VDES project also marked another highlight: the start of satellite production in Uppsala. By bringing satellite production capability to Sweden, we have increased our capacity and de-risked our production with two fully capable plants. Furthermore, in Glasgow, our main hub for satellite production, we are developing our next generation of satellites, tailored for larger constellations or what we call our Scalable Architecture solutions. This work is being supported by a SEK 26M grant from Scottish Enterprise.

Meeting our strategic goals

We also took several strategically critical actions to position AAC Clyde Space for continued leadership in the small satellite market. Chief among these are the acquisitions of Hyperion, SpaceQuest and Omnisys (completed Q2 2021) – and the xSPANCION Public Private Partnership (PPP). The Hyperion acquisition accelerates our technology capabilities, adding IP in laser communications and propulsion, which are becoming increasingly relevant to satellite deployments. Meanwhile, the acquisition of SpaceQuest gives us a strong foothold in the US, the world's largest space market. It also extends our ground station network and manufacturing operations and provides immediate clients and profitable revenues for our Space Data as a Service (SDaaS) business, the central pillar of our growth strategy. The xSPANCION project is also a key part of our plan to accelerate SDaaS revenues by developing a path to higher volume production.

Most recently, the Omnisys acquisition, completed in Q2 2021, brings in house 28 years of experience in developing profitable, high-performance electronics hardware, including world-class sensors. This will be critical in building constellations that can provide high-quality, timely data for a range of applications. In particular, we gain a leading position in space-based weather data, a field set to grow strongly as new technology supports dramatically improved forecasts.

Expanding our investor base

Last but not least, we have taken steps to expand our investor base this year: the number of Group shareholders has grown from 6,000 to over 12,000. And a successful capital raise in Q3 2020 of SEK 52M before costs (followed by a further capital raise of SEK 100M in Q2 2021) will allow us to pursue further strategic investment opportunities as they arise. In August, AAC Clyde Space shares were admitted to trading in the US via the OTCQX market, the highest tier within the OTC group. The US market represents more than 30% of our sales and this will make it easier for US investors to see, access and trade our shares and join in our ambitious plans to grow our company. The shares are traded under the ticker ACCMF.

"PROSPECTS ARE GROWING, AND OPPORTUNITIES ARE TAKING SHAPE - SMALL SATELLITES HAVE NEVER BEEN SO POPULAR, AND WE ARE TAKING FULL ADVANTAGE OF THAT."

Luis Gomes, CEO

KEY PERFORMANCE INDICATORS 2020 (VS 2019)

88%

(85%)
Equity ratio (% Equity divided by total assets)

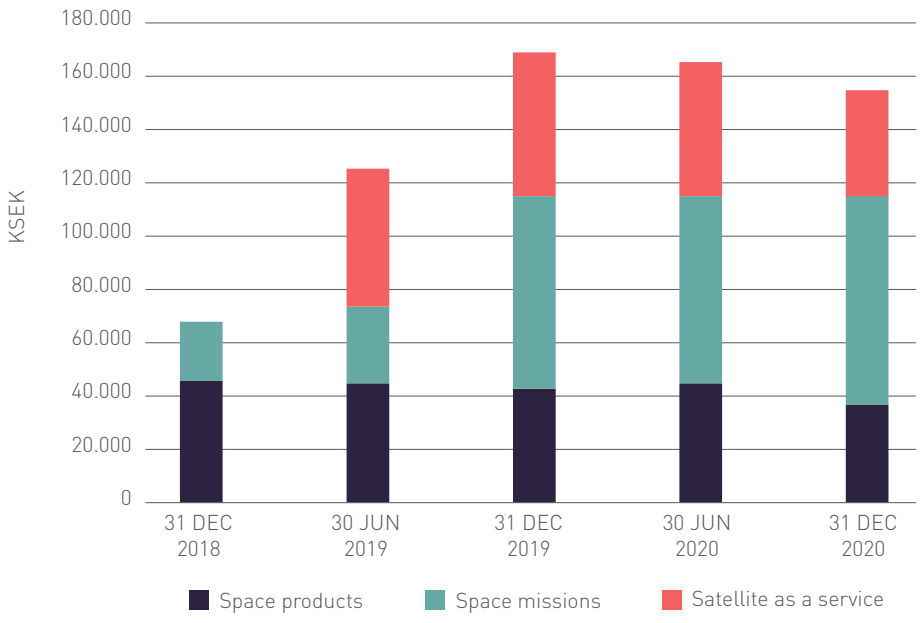
SEK-17.5M

(-27.3)
EBITDA (Operating profit/loss before depreciation/ amortisation of tangible and intangible assets): excluding acquisition costs of SEK 7.6M and non-recurring personnel costs of SEK 1.8M

SEK 156.3M

(SEK 169.2M)
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)

ORDER BACKLOG



FINANCIAL REVIEW

YEAR-ON-YEAR COMPARISON

kSEK	full-year 2020	full-year 2019
Net sales	98,384	66,435
EBITDA	-26,819	-27,297
EBIT	-37,532	-40,191
Basic and diluted earnings per share. SEK	-0,37	-0,48
Equity ratio	88%	85%
Cash flow from operating activities	-14,463	-15,706
Cash flow for the period	10,771	40,064
Cash and cash equivalents	62,434	52,380
Order backlog	156,317	169,212

WIDE RANGE OF HIGH-END COMMERCIAL CLIENTS

Q1

Intuitive Machines (US): supplying power systems and batteries for the Nova-C lunar lander mission and others (SEK 12M)

NSLComm (Israel): delivering one 6U satellite and services (SEK 15M). NSLComm has appointed AAC Clyde Space as its preferred supplier in its planned satellite constellation

Q2

Loft Orbital (US): expansion of a previous order by SEK 2M for satellite power systems

Orbital Micro Systems (US): delivering one 6U satellite for the OMS commercial constellation, designed to deliver weather data (SEK 7M)

Scottish Enterprise (UK): Grant to develop next generation nano and small satellites (SEK 27M)

Moog (US): developing solar panels for Moog's new orbital manoeuvring vehicle, a space tug designed to transport and deploy CubeSat constellations in their final orbit (SEK 4M)

Q3

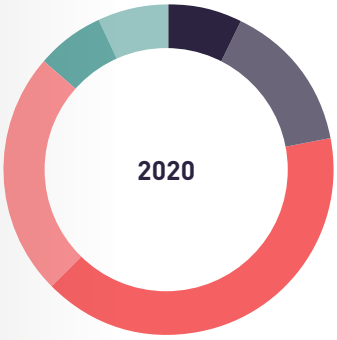
Saab (SE) and Orbcomm (US): partnership to build the next generation of maritime communications (SEK 17M, including SEK 12.2M grant from the Swedish Transport Administration)

Q4

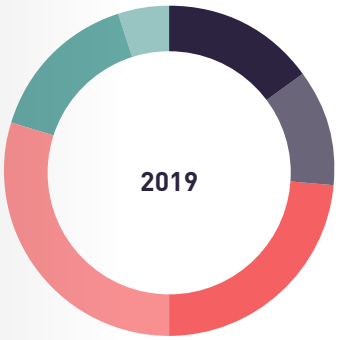
British Space Forge (UK): designing a satellite platform that will take advantage of the space environment for production in-orbit (SEK 1.3M)

European Space Agency (EU): performing an in-orbit verification flight for CubeCAT, a laser communication terminal designed to improve data communication for small satellites (SEK 1.5M)

NET SALES BY GEOGRAPHY



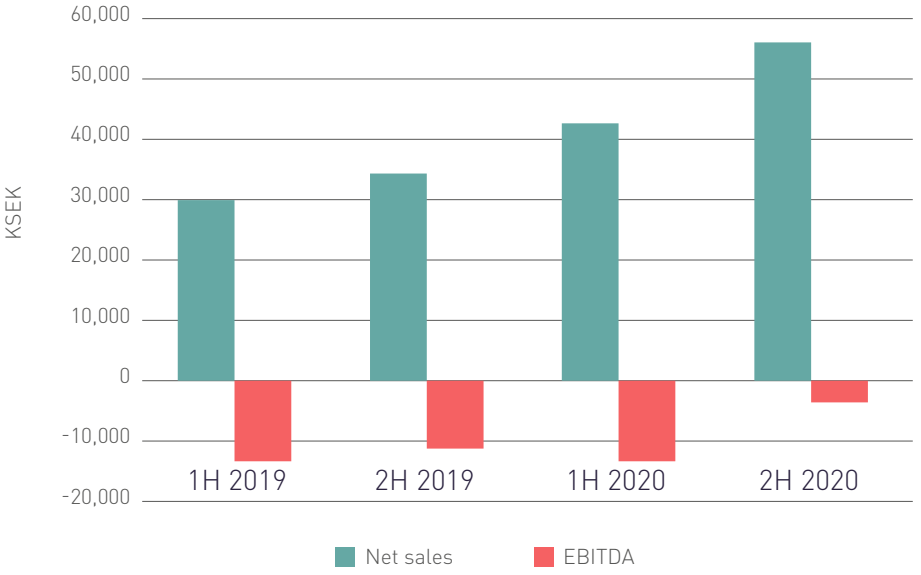
SWEDEN	7,320
UK	14,391
OTHER EUROPE	39,195
US	23,930
ASIA	6,961
REST OF THE WORLD	6,587
TOTAL	**98,384**



SWEDEN	10,798
UK	7,095
OTHER EUROPE	15,747
US	19,409
ASIA	10,779
REST OF THE WORLD	3,082
TOTAL	**66,907**

NET SALES – ROLLING 12 MONTHS

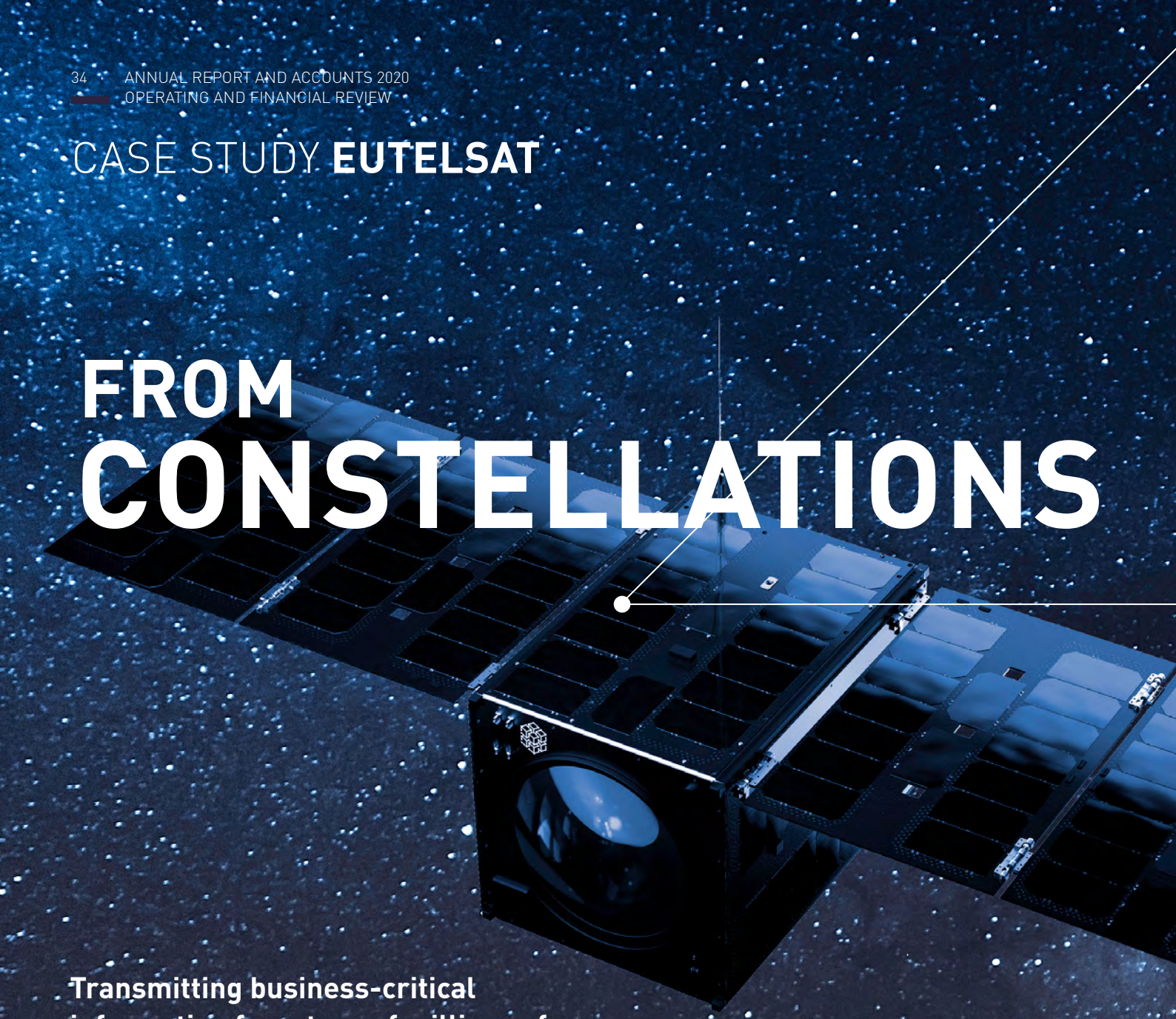
EVOLUTION OF NET SALES AND EBITDA*



*Adjusted acquisition costs and non-recurring personnel costs

CASE STUDY **EUTELSAT**

FROM CONSTELLATIONS



Transmitting business-critical information from tens of millions of objects, all over the world

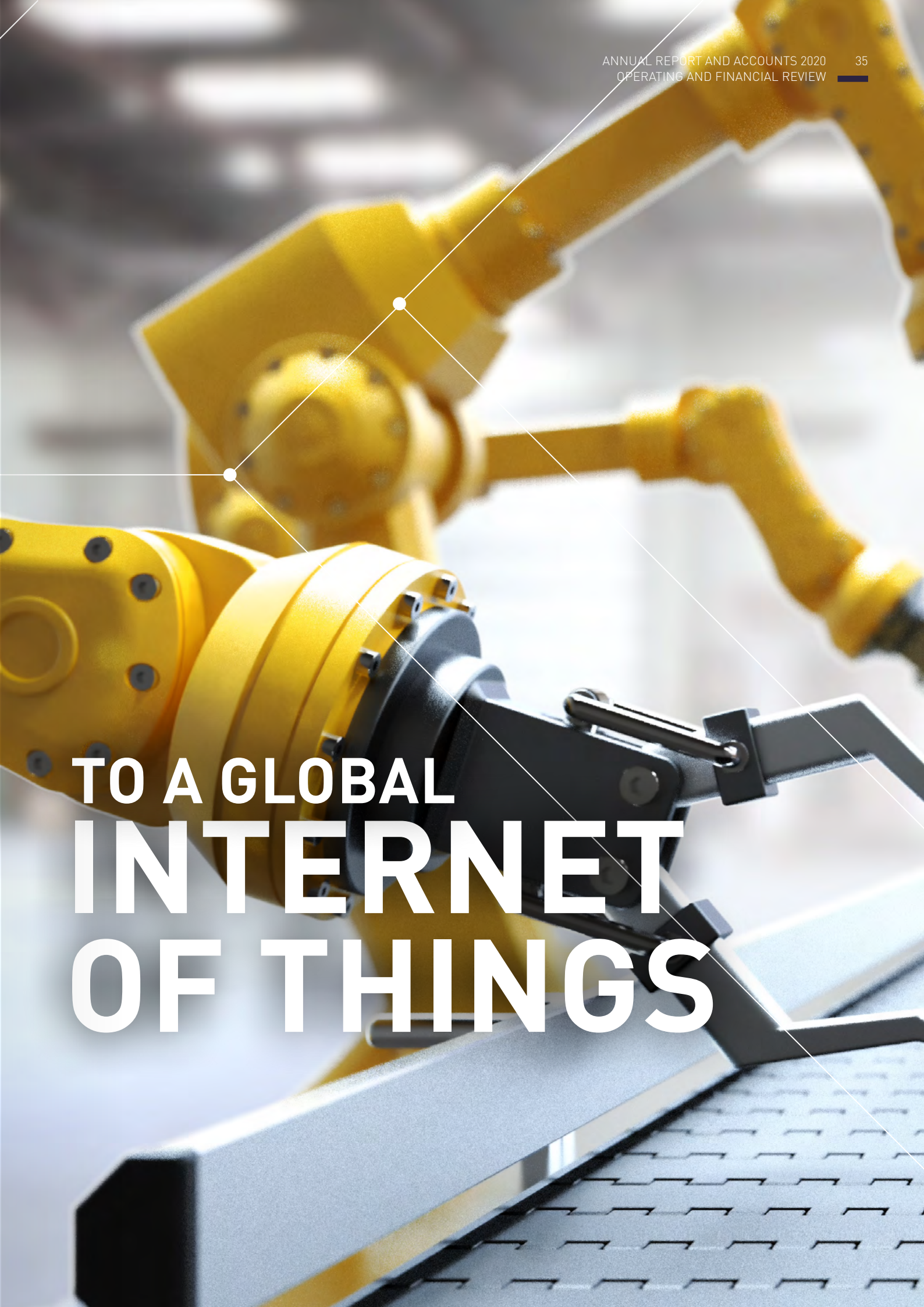
As the world gets 'smarter', we're demanding better coverage, speed and reliability from our networks. Satellite constellations have a critical role to play here in supporting terrestrial networks.

For example, investment costs associated with laying optical fibre render many areas of the planet economically unviable for terrestrial networks – they are either too remote or conditions too inhospitable. In fact, terrestrial cellular networks only cover 25% of the Earth's surface.

Lower-Earth orbit (LEO) satellite constellations, on the other hand, can cover the entire planet, from pole to pole. This is critical to delivering the global connectivity required to enable new societal and industrial paradigms, including the Internet of Things (IoT). IoT has countless applications, from precision farming to industrial robotics, smart homes, driverless cars,..

AAC Clyde Space is supporting global satellite operator Eutelsat to construct its own LEO constellation, ELO (Eutelsat LEO for Objects), to deliver global IoT coverage, enabling objects to transmit data, irrespective of their location.

As part of Eutelsat's ELO project, we are delivering two small satellites for launch in 2021, which will enter commercial service as soon as they are delivered into orbit. These satellites will also host the first propulsion systems onboard AAC Clyde Space satellites, enabling in-orbit manoeuvres.



TO A GLOBAL INTERNET OF THINGS

OUR PEOPLE

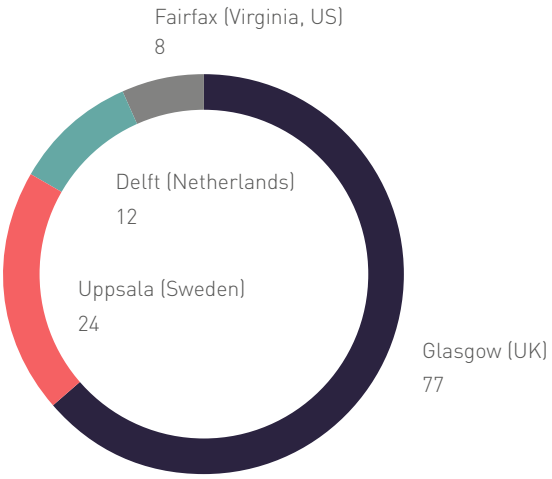
EXPANDING
OUR GLOBAL TEAM

At AAC Clyde Space we pride ourselves on cultivating an inclusive working environment where talented people want to work and where innovation can thrive. This is essential to building our long-term competitive edge and front of mind as we continue to expand our team in line with our strategy to become a world leader in commercial small satellites and services from space – both through direct hires and by acquisition.

Promoting STEM

We want to inspire the next generation of budding scientists, engineers and mathematicians, an in particular to encourage more females to consider a future in space. STEM (science, technology, engineering and math) initiatives in 2020 include our own Careers in Space event, held in collaboration with the UK Space Agency and aimed at primary education, through to our panel participation in The Future Conference: Women in Space, aimed at the wider community.

EMPLOYEES



60 SECONDS WITH LUIS

What do you love most about working at AAC Clyde Space?
The opportunity to change the way we all use and benefit from space technology, fulfilling the promise of many years of small satellite development. AAC Clyde Space has the vision and the ability to change the way we access the data and services we need from satellites. We are building a system that makes us all safer, more productive and improves our quality of life on Earth.

What are the biggest challenges we face as a company this year?
2021 will be a year to deliver, deliver and deliver – hardware, satellites and services. We have seven satellites to complete, several to launch and a new offering, Space Data as a Service, to start. It will be exciting and busy!

In which areas are we looking to make new hires this year?
Our strategy calls for continued growth of the hardware product lines and for a significant expansion of the services business. We are hiring more engineers and technicians to support increased capacity in hardware design and production, and we are hiring for new roles to deliver Space Data as a Service. As we grow, we will be investing more in service delivery, software and operations staff to strengthen our ability to deliver products to our customers.

We've made three acquisitions in the last 12 months. How will we now bring these teams together to be most effective?
We are already undertaking several new cross-company activities and projects that are improving the way our teams work together across different locations. These include activities to drive our vertical integration, use of standard platforms across the group and joint operations.

What are you most looking forward to in 2021?
Bringing together our teams across the world to change the economics of space data. We have some really exciting and powerful ideas to be implemented this year!

+21%
increase in employees in 2020

11
internships and apprenticeships

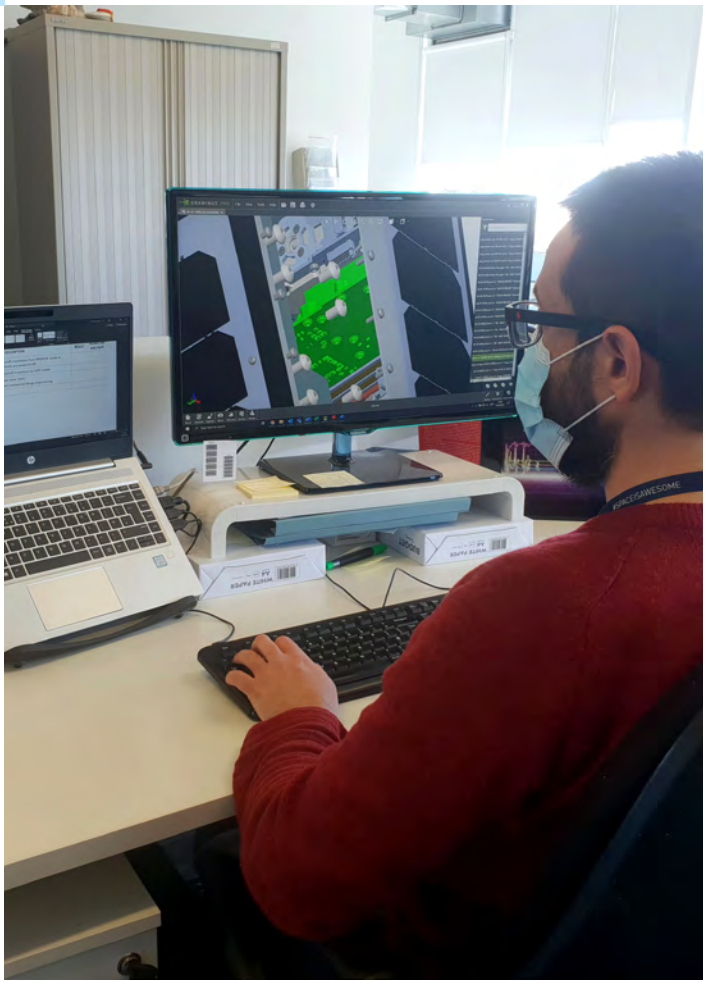
121
employees

"I'M A MISSION ANALYSIS ENGINEER (MY DREAM JOB REALLY), SO EVERYTHING FROM VERY EARLY PHASE STUDIES TO THE LAUNCH AND EARLY OPERATIONS PHASE. I AM ALSO HEAVILY INVOLVED IN SPACECRAFT ATTITUDE CONTROL ANALYSIS AND ALGORITHM DEVELOPMENT. I HAVE THE OPPORTUNITY TO WORK ON FANTASTIC PROJECTS, MEET CLIENTS FROM ALL OVER THE WORLD AND SOLVE PROBLEMS EVERY DAY!"-

PAVLINA DIMITROVA, Mission Analysis Engineer

"WHEN I THINK ABOUT HOW THE PRODUCTS THAT WE'RE DEVELOPING AND TESTING WILL BE ZIPPING AROUND THE EARTH SOON, I GET THE FEELING THAT WHAT WE'RE DOING IS ACTUALLY PRETTY COOL. WE HAVE BIG DREAMS AND PLANS FOR THE FUTURE OF OUR SPACECRAFT - IT'S SO IMPORTANT TO KNOW WE'RE GOING SOMEWHERE!"

MIKAEL SJÖLÉN, Software Developer



SUSTAINABILITY

UNDERSTANDING
OUR PLANET BETTER

Satellites are one of the most vital tools to better understand our planet. From monitoring the spread of wildfires to measuring the size of the polar ice caps, satellites give us the ability to observe key climate change indicators in real time.

In fact, earth observation (or remote sensing) – the monitoring of Earth's ecosystems from space – is one of the biggest drivers of growth in the small satellite market.

Over the past year, AAC Clyde Space has embarked on several exciting projects that will enable businesses and governments to understand the environment better, manage our planet's resources more efficiently, and help us all to live more sustainably.

Improving global weather forecasting
The ESA Artic Weather Satellite aims to demonstrate the usefulness of radiometric measurements to improve weather forecasts in the Arctic region. If successful, it would enable, for the first time, very short-range weather forecasting, or 'nowcasting', in the Arctic. Meteorologists will also use the mission to improve weather forecasts around the world. Accurate weather forecasts are an essential part of everyday life, used from simply deciding what clothes to wear to planning crop harvesting, ship routing and managing renewable energy resources. AAC Clyde Space has been selected by OHB Sweden, the prime contractor for the Arctic Weather Satellite, to supply the core avionics for the satellite.

Accelerating sustainable development in Mauritius
We have delivered Mauritius' first satellite, a 1U CubeSat (MRIC Sat-1). This is part of a UNOOSA initiative (United Nations Office for Outer Space Affairs) in partnership with JAXA. UNOOSA works to help countries access and leverage the benefits of space to accelerate sustainable development. This project is an important step in helping Mauritius to establish its own space infrastructure to tackle three issues of national priority identified by its government:

1. Ocean surveillance and optimal management of ocean resources (e.g. tackling fish depletion) in the Mauritian Exclusive Economic Zone, which is about 2.3 million km^2
2. Road traffic congestion
3. Natural disaster mitigation (i.e. frequent flooding).

Mauritius intends to use MRIC Sat-1 to build knowledge on satellite technology and how to efficiently collect and process land and ocean data from space. Importantly, the project also serves as a model for other Small Island Developing States.

Supporting safer oceans
We are working with Saab and ORBCOMM to deliver the next generation of maritime communications: VDES (Very High Frequency Data Exchange System). Technologies like VDES are key to delivering Goal 14 of the UN Sustainable Development Goals: to conserve and sustainably use the oceans, seas and marine resources for sustainable development.

For example, VDES can be integrated with e-navigation systems, enabling savings in fuel and emissions of up to 25%. It also provides more bandwidth than the widely used Automatic Identification System (AIS) for better co-ordination between ships, which means fewer accidents. Where accidents do occur, VDES will enable quicker response times, enabling faster clean-up of any diesel or oil spills. VDES is also a game-changer in the detection of illegal fishing, piracy, smuggling, and transhipments (all ships are fitted with AIS, but this can be manually turned off to avoid detection).

We're also delivering a fully integrated 6U CubeSat, IOD-3 AMBER, to Horizon Technologies for use in its AMBER SIGINT (signals intelligence) programme. Launching in August, IOD-3 AMBER will be used to provide commercial customers worldwide with end-to-end data services to help track and combat illegal maritime activity. The programme is in collaboration with the Satellite Applications Catapult.

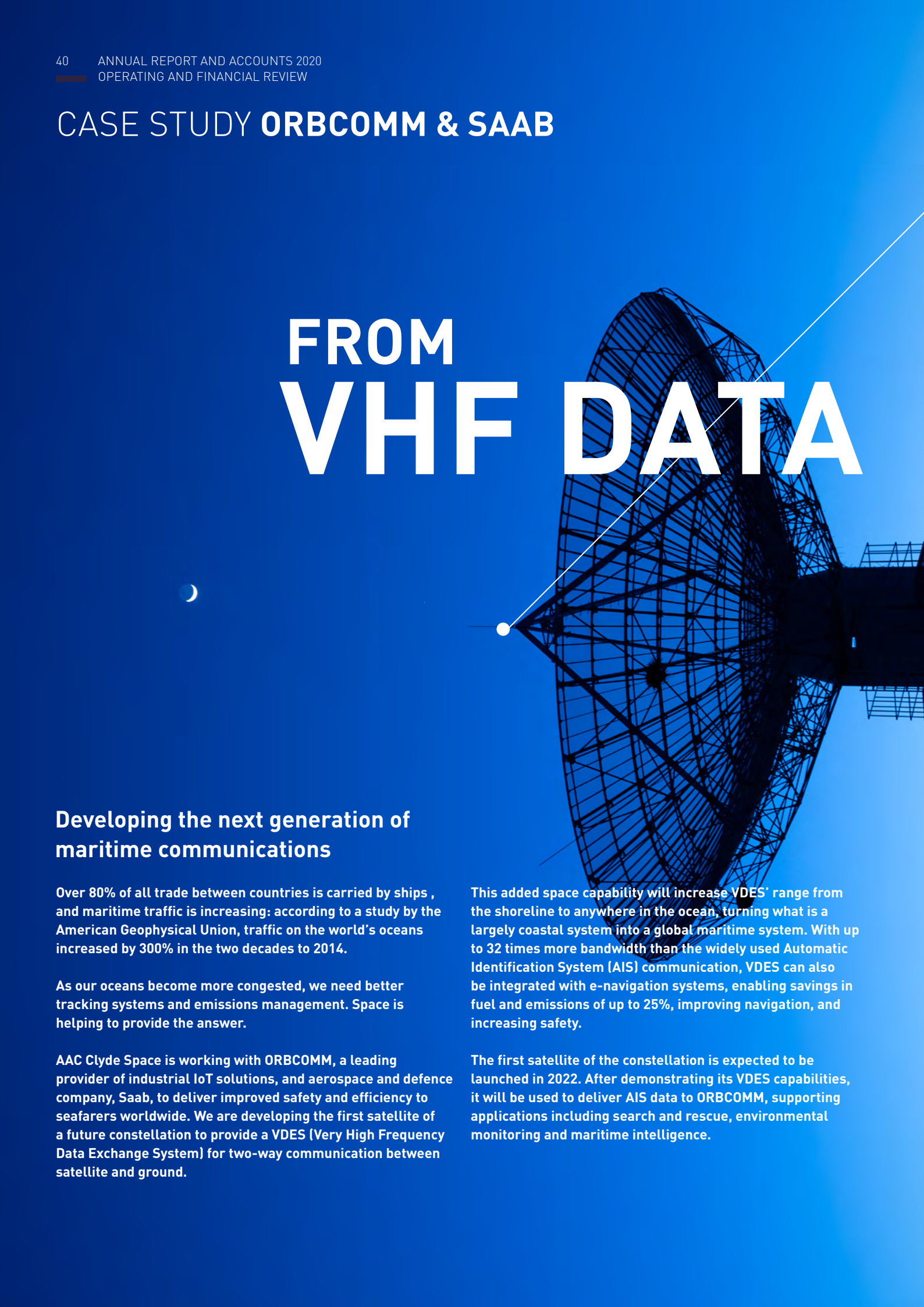
Meanwhile, we continue our work on the SOCON project (Sustained Ocean Color Observations using Nanosatellites) to monitor the changing biology of the ocean's surface. This work is vital to supporting ocean health and, in turn, entire ecosystems: the oceans represent around 99% of the Earth's living volume and deliver numerous benefits to humanity. However, climate change, overfishing and pollution are taking their toll and, if left unchecked, could be devasting for the future of our planet. Space-based remote sensing provides global coverage of our oceans which would be impossible using planes and ships alone.

The project is a joint collaboration with the University of North Carolina at Wilmington (UNCW), Cloudland Instruments and NASA's Goddard Space Flight Centre. AAC Clyde Space built the Seahawk spacecraft, currently on-orbit, incorporating the 'HawkEye' ocean colour sensors; the data is integrated into NASA's SeaWiFS Data Analysis System and distributed worldwide.

As well as addressing the planet's sustainability challenges, we are working hard to embed sustainability within our own operations. For example, we are rolling out our Climate Change and Social Responsibility Plan ahead of the UN Climate Change Conference (Cop26) in Glasgow later this year. We are particularly focused on reducing the generation of space debris as the New Space economy expands. This means complying with regulations, but also proactively working on propulsive solutions for collision avoidance and to accelerate re-entry.

CASE STUDY **ORBCOMM & SAAB**

FROM VHF DATA



Developing the next generation of maritime communications

Over 80% of all trade between countries is carried by ships , and maritime traffic is increasing: according to a study by the American Geophysical Union, traffic on the world's oceans increased by 300% in the two decades to 2014.

As our oceans become more congested, we need better tracking systems and emissions management. Space is helping to provide the answer.

AAC Clyde Space is working with ORBCOMM, a leading provider of industrial IoT solutions, and aerospace and defence company, Saab, to deliver improved safety and efficiency to seafarers worldwide. We are developing the first satellite of a future constellation to provide a VDES (Very High Frequency Data Exchange System) for two-way communication between satellite and ground.

This added space capability will increase VDES' range from the shoreline to anywhere in the ocean, turning what is a largely coastal system into a global maritime system. With up to 32 times more bandwidth than the widely used Automatic Identification System (AIS) communication, VDES can also be integrated with e-navigation systems, enabling savings in fuel and emissions of up to 25%, improving navigation, and increasing safety.

The first satellite of the constellation is expected to be launched in 2022. After demonstrating its VDES capabilities, it will be used to deliver AIS data to ORBCOMM, supporting applications including search and rescue, environmental monitoring and maritime intelligence.

TO SAFER, HEALTHIER OCEANS

GOVERNANCE

LIVING BY OUR VALUES

CLEAR DIVISION OF RESPONSIBILITIES

Our Board is responsible for ensuring the sound running of the Group for all our stakeholders, including our shareholders, in accordance with best practice corporate governance. It monitors and reviews all significant aspects of the Group's activities, including overall internal control and risk management systems and succession planning, and oversees the executive management to ensure the Group's long-term success.

The Board's key responsibilities include:

- setting the strategic direction and governance framework of the Group
- ensuring that the necessary financial, technical and human resources are in place
- establishing and embedding our culture, values and ethics
- reporting to shareholders on its stewardship of the Group

Responsibility for developing and implementing our strategy and commercial objectives is delegated to the chief executive who is supported by the finance director and deputy CEO. They, in turn, are supported in the day-to-day management of the Group by a wider Group management team which meets regularly to consider operational matters affecting the Group as a whole.

In line with the Swedish Corporate Governance Code, the Board delegates certain responsibilities to committees, who make recommendations and report back to the Board on decisions and actions taken. Based on its size and composition, the Board has appointed a Remuneration Committee (Rolf Hallencreutz and Will Whitehorn) and an Audit Committee (Per Aniansson, Per Danielsson and Rolf Hallencreutz).

The Nomination Committee evaluates the characteristics and performance of Board members and is responsible for selecting the best candidates for each seat on the Board. AAC Clyde Space's Nomination Committee for the 2021 Annual General Meeting consists of:

- Anders Axelsson, appointed by Biljon AB
- John Wardlaw, appointed by Coralinn LLP
- Mathias Dittrich, appointed by Soltorpet AB
- Rolf Hallencreutz, Chairman of the Board of AAC Clyde Space AB

KEY RESPONSIBILITIES

Chairman of the Board

- leads the Board and is responsible for its effectiveness
- sets the agendas for Board meetings
- ensures effective communication with our shareholders

Chief executive

- is responsible for the Group strategic objectives
- develops and implements Group strategy as approved by the Board

Finance director & deputy CEO

- manages the Group's financial affairs
- supports the chief executive in the implementation and delivery of Group strategy

Board members

- support the chairman in the delivery of their objectives
- constructively challenge the executive directors in all areas and help develop proposals on strategy
- monitor delivery of the strategy within the risk and control framework set by the Board
- satisfy themselves on the integrity of the financial information and the effectiveness of financial controls and risk management systems
- determine appropriate levels of remuneration for the executive directors.

20

Board meetings in 2020

SWEDISH COMPANIES ACT

AAC Clyde Space complies with the Swedish Companies Act's rules on corporate governance. In doing so, the Board has drawn up rules of procedure for its work, instructions regarding the division of work between the Board and the CEO, which deals with its duties and reporting obligations, and has established instructions for the financial reporting. The rules of procedure are reviewed annually.

AUDITOR

Öhrlings PricewaterhouseCoopers is the elected auditor with the Chief Auditor Lars Kylberg.

2021 CALENDAR OF EVENTS

27 MAY	Interim report Q1 2021 Annual general meeting
17 JUN	OTC International companies Virtual Investor Conference
26 AUG	Interim report Q2 2021
25 NOV	Interim report Q3 2021
29-30 NOV	Investor Presentation - Stockholm

ADVANCE VOTING

The shareholders may exercise their voting rights at the general meeting by voting in advance, so called postal voting in accordance with section 22 of the Act (2020:198) on temporary exceptions to facilitate the execution of general meetings in companies and other associations. Be advised that this is the only possible way to attend and vote at the general meeting held on Thursday 27 May 2021. A special form shall be used for advance voting. The form is available on the Company's website, www.aac-clyde.space. A shareholder who is exercising its voting right through advance voting do not need to notify the Company of its attendance to the general meeting.

The advance voting form is considered as the notification of attendance to the general meeting. The completed voting form must be submitted to the Company no later than on Wednesday 26 May 2021. The completed and signed form shall be sent to the address AAC Clyde Space AB, Attn: Ann-Christin Lejman, Uppsala Science Park, SE-751 83 Uppsala, Sweden. A completed form may also be submitted electronically and is to be sent to: ann-christin.lejman@aac-clydespace.com. If the shareholder is a legal entity, a certificate of incorporation or a corresponding document shall be enclosed to the form. The same apply for shareholders voting in advance by proxy. The shareholder may not provide special instructions or conditions in the voting form. If so, the vote is invalid.

To be able to vote in advance shareholders must be entered in the shareholders' register, kept by Euroclear Sweden AB (the Swedish Central Securities Depository & Clearing Organisation), on the record day which is Wednesday 19 May 2021. Shareholders who have their shares registered in the name of a nominee must request temporary entry in the transcription of the register of shareholders kept by Euroclear Sweden AB in order to be entitled to participate and vote for their shares at the meeting. The shareholder must inform the nominee well in advance of Wednesday 19 May 2021, at which time the register entry must have been made. Voting rights registration that has have been requested by the shareholder at such time that the registration has been completed by the nominee no later than Friday 21 May 2021, will, however, be taken into account in the preparation of the share register. Personal data collected from the register of shareholders kept by Euroclear Sweden AB will be used for registration, preparation of register of voters for the meeting and, where applicable, minutes of the meeting.

The advance voting form (postal ballot) gives shareholders the opportunity to vote for an agenda item to be raised at a future shareholders' meeting instead. In order for a resolution (item on the proposed agenda) to be postponed to a future shareholders' meeting, it is required that shareholders of at least one tenth of all shares in the Company request it. In such cases, the board of directors shall determine the date of the future shareholders' meeting, at which shareholders shall be allowed to participate in person and by proxy. Further instructions and conditions is included in the form for advance voting.

BOARD AND EXECUTIVE MANAGEMENT

EXPERIENCED
LEADERSHIP WITH PROVEN CAPABILITIES

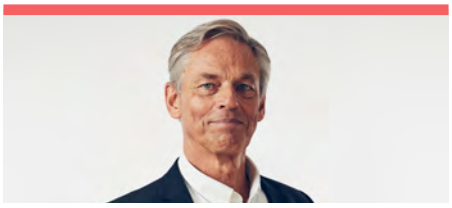
The Board brings extensive business and sector-specific experience to bear for the long-term success of the Group.

According to the Articles of Association, AAC Clyde Space's Board of Directors shall consist of at least three and no more than seven Board members with no more than three deputies. The assignment for all Board members is valid until the end of the next Annual General Meeting.

As of March 2021, AAC Clyde Space is operating under a new management structure, designed to increase agility and underpin continued growth. The group is implementing a distributed management structure, with group level sales and strategic leadership in Group management, and geographical operations management for each country.

Group management will consist of CEO Luis Gomes, CFO Mats Thideman, Group VP of Business Development Peter Andersson and CTO Andrew Strain. Luis Gomes and Mats Thideman also comprise the Strategic Steering Group.

BOARD OF DIRECTORS



ROLF HALLENCREUTZ
Chairman of the Board since 2014

M.Sc., Logistics and Finance, Chalmers University of Technology, Gothenburg

Rolf's experience spans from start-ups to major multinational companies within IT, industrial companies, life sciences and shipping. He has held a number of roles at other fast-growing companies, from Chairman of the Board to CEO and carries an extensive experience of M&A transaction and financing.

PER ANIANSSON
Board member since 2014

M.Sc., Technical Physics, Chalmers University of Technology in Gothenburg; and MBA, Finance and Entrepreneurship, INSEAD Business School, France

Per has held leading roles within venture capital-owned companies, including as a member of the Financial Management team, as CEO and, most recently, as Investment Director for state-owned Fouriertransform.

PER DANIELSSON
Board member since 2014

M.Sc., Chalmers University of Technology.

Per's business experience extends from organizational development, strategy, international business and financing, through to executing company sales to large global groups.

He is expert in evaluating EU applications and carries out assignments for the EU as a business coach for small businesses.

WILL WHITEHORN
Board member since 2018

Master's degree, History, University of Aberdeen

Will is a former director of Virgin Group and President of Virgin Galactic until 2010. He has since pursued a private equity and non-executive career. He is currently Chairman of Good Energy PLC, Scottish Event Campus Limited and Craneware PLC. He also sits on the board of the Royal Air Force and is President of UKSpace, the trade body that represents the space industry in the UK.

The Group management combines entrepreneurial leadership experience with solid engineering expertise.

EXECUTIVE MANAGEMENT

ANITA BERNIE
Board member since 2019

Bachelor's degree, Aerospace Engineering; Master of Business Administration

Anita has been working at KISPE Space Systems Limited as Strategic Business Manager since 2018. Prior to this, she worked at Surrey Satellite Technology Limited since 1997 as a member of Group Management team. She has a broad international network and brings extensive technical and business development experience.

LUIS GOMES
CEO since 2019

M.Sc., Satellite Technology, University of Surrey; Bachelor of Science in Applied Physics, University of Lisbon

Luis has 25 years of experience in the space industry, specializing in the small satellite field. He joined AAC Clyde Space in 2019 from the British SSTL, where he was CTO and Executive Director with responsibility for defining and implementing both technical and commercial strategies.

MATS THIDEMAN
CFO and Deputy CEO since 2014

M.Sc., Industrial Economics, Linköping Institute of Technology

Mats is responsible for finance, IT and staff. Mats has a long experience as CFO within growing industrial companies, as well as public and venture capital owners, such as Åkerströms, Image Systems (publ.), TracTechnology (publ.), and most recently, Cortus Energy AB (publ.).

NICOLE ROBINSON
Nominated to the Board by the Nomination Committee

MBA, Master of Business Administration Senior Executives in National and International Security Program

Nicole is the President at Ursa Space Systems, a U.S.-based satellite intelligence company that provides business and government decision-makers access to on-demand analytic solutions. Prior to Ursa Space, Robinson held senior positions at SES Satellite, a world leader in global content connectivity solutions. She is currently President of the Space and Satellite Professionals International (SSPI).

ANDREW STRAIN
CTO, employed since 2006

M.Eng., Electrical and Electronic Engineering with Business Studies, University of Strathclyde

In his time at Clyde Space, including as Chief Engineer, Andrew has built over a decade of experience in developing and delivering small satellites. In his role as CTO, he contributes a wide range of relevant skills such as systems engineering knowledge, product development, manufacturing, project management, quality and business development.

PETER ANDERSSON
Group VP Business Development, employed since 2015

B.Sc., Engineering, University of Glasgow; Post Graduate Diploma, Computer Aided Engineering, University of West Scotland

Peter is responsible for the sales and marketing of the company's products and services and for providing the business direction for the latest market growth areas, as well as leading contract negotiations. In his previous role, as Head of Business Development Mission & Services, Peter contributed to the development of AAC Clyde Space's Space Data as a Service offering.

RISK

PROACTIVE
RISK MANAGEMENT

An account of the Group's material financial and business risks can be found in the administration report and under Note 3. COVID-19 affected operations in the form of lower income recognition than planned in projects, since deliveries from subcontractors were delayed, but it remains difficult to estimate the final impact on the Group. No further significant risks are deemed to have arisen during the period.

RISK
Regulation The regulatory framework of the New Space economy is still unknown and could impact our licence to operate
Brexit Continues to generate uncertainty, in particular around export and licensing and staff contracts
Funding A lack of liquidity could impact our ability to achieve our growth targets
Supplier insolvency/delays Disruptions to our supply chains could have knock-on effects on our production lines and our ability to delivery contracts
Congestion The growing number of small satellites orbiting Earth, as well as space junk and debris, pose risk of interference and collision

CHANGE IN REPORTING PERIOD	MITIGATING ACTIVITY
	• AAC Clyde Space complies with all licensing regulations.
• The UK left the EU at the end of 31 January 2020. This began a transition period that ended on 31 December 2020. The rules governing the new relationship between the EU and UK took effect on 1 January 2021	• We have locations across Europe, within Scotland, the Netherlands and Sweden as well as in the USA
• Covid-19 could create funding challenges due to economic uncertainty and immediate public health concerns	• Successful capital raises (SEK 52M before costs in Q3 2020; SEK 100M in Q2 2021) will allow us to pursue further strategic investment opportunities as they arise • SpaceQuest, Hyperion and Omnisys acquisitions provide immediate profitable revenues
• Social distancing and work-from-home measures have led to some supply chain disruption and production delays. But the crisis also caused a spike in demand for internet connectivity and underscored its importance. • Within FY2020, the worst of the impact of Covid-19 was felt in Q2	• SpaceQuest, Hyperion and Omnisys acquisitions help to secure our supply chain. • Vertical integration brings more subsystem capabilities in house and should help to mitigate some of the project delays seen this year.
	• Proactive innovation, e.g. propulsion systems for in-orbit manoeuvres and collision avoidance – this is one of the major technology capabilities gained through the Hyperion acquisition

CASE STUDY **NSLCOMM**

FROM UNFOLDING ANTENNAE

Connecting the underserved

According to CISCO's 2020 Internet Report, around half the world's population still do not have internet access. The lack of coverage prevents billions of people from accessing communications that most of the developed world now takes for granted, from GPS and video streaming to precision farming solutions that could increase crop yields and save water.

NSLComm is actively working to change this, by using nanosatellites to deliver fast, reliable and affordable communications even in the most remote places on Earth. It has chosen AAC Clyde Space to provide a full end-to-end mission service package, from mission design, satellite manufacture and test to operations and data supply.

Each satellite is equipped with an antenna which unfolds into a dish shape only after it has entered orbit – this means smaller satellites can be used, which brings costs down to a level that is economically viable. The dish can be used for a range of applications, from IoT to agriculture to asset tracking.

AAC Clyde Space delivered the first of these 6U satellites to NSLComm in 2019, which has reached most of its mission goals. Since then, NSLComm has appointed us as "preferred supplier" in its planned commercial constellation and tasked us to deliver a second satellite for launch in Q3 2021. AAC Clyde Space will manufacture, launch, commission, operate the satellite and deliver a ground segment software solution.

TO BROADBAND, ANYWHERE

"OUR COLLABORATION HAS PROVEN TO BE THE PERFECT BLEND OF NEW SPACE SOLUTION PROVIDERS AND INNOVATIVE PAYLOAD DEPLOYERS, AND WE LOOK FORWARD TO A LONG AND PRODUCTIVE PARTNERSHIP WITH AAC CLYDE SPACE."

RAZ ITZHAKI TAMIR, CEO, NSLCOMM

ADMINISTRATION REPORT

The Board and CEO of AAC Clyde Space AB (publ), corporate registration number 556677-0599, hereby publish the Annual Report and consolidated financial statements for the financial year from 1 January 2020 to 31 December 2020.

The results from operations are presented in the following financial reports, to be adopted by the AGM.

Operations

The business idea is to design and manufacture standardised, advanced CubeSat platforms and avionics for CubeSats and small satellites, and to supply satellite services ranging from launch and operations to a fully-fledged "space as a service" offering that provides customers with data from task-specific satellites.

Parent Company's registered office

AAC Clyde Space AB (publ)'s registered office is in Uppsala, Sweden, at Uppsala Science Park, SE-751 83, which is also the company's head office.

Significant events during the year

AAC Clyde Space completed two acquisitions during the year. On 10 November, AAC Clyde Space acquired 100% of the shares in Hyperion Technologies BV for SEK 22.8 M with payment in shares. The company specialises in high-performance subsystems for small satellites and is particularly known for its navigational systems for small satellites. Hyperion Technologies was consolidated into the financial reporting from 1 November 2020, refer to Note 35 for more information.

On 30 December 2020, 100% of the shares in the American small satellite company SpaceQuest Ltd. were acquired for shares corresponding to an amount of USD 8.4 M. SpaceQuest delivers data services from its own in-orbit satellites and also manufactures satellites and their components. The company was consolidated into the financial reporting from 31 December 2020, refer to Note 35 for more information.

AAC Clyde Space won a number of orders encompassing complete space missions, components and other types of space-related development projects. The order backlog was SEK 156 M at year end.

Major assignments during the year included the three-year development project xSPANCION together with the European Space Agency (ESA), with a first phase of EUR 1.8 M (approximately SEK 18.4 M); a partnership with SAAB and ORBCOMM aimed at creating the next generation of maritime communications that generates revenue of SEK 17.7 M for the Group as well as an order for a 6U satellite and services from the Israeli firm NSLComm with a total value of GBP 1.2 M; and an order for another 6U satellite from Orbital Micro Systems.

The Group also won assignments to deliver various types of components for planetary missions such as batteries for the Nova-C lunar lander and power systems for the US firm Intuitive Machines' lunar spacecraft. The British firm Space Forge tasked the Group with designing a satellite platform that will leverage the space environment for in-orbit production. AAC Clyde Space is developing a new solar panel for the US firm Moog's new spacecraft designed to transport and deploy CubeSat constellations in their final orbit.

The Group also received a GBP 2.3 M (approx: SEK 27 M) grant from Scottish Enterprise to develop next-generation nano and small satellites.

Group structure

At 31 December 2020, the Group consisted of the Parent Company AAC Clyde Space AB, with its registered office in Uppsala, and seven subsidiaries, refer to Note 14.

Earnings and financial position

The Group

Sales and earnings

Net sales increased 48% to SEK 98.4 M (66.4). Sales of satellite platforms comprised 56% (31) of total sales, with the remainder pertaining to sales of subsystems. Total revenue amounted to SEK 119.4 M (80.6).

Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to SEK -17.5 M (-27.3), excluding acquisition costs of SEK 7.6 M and non-recurring personnel costs of SEK 1.8 M. EBITDA totalled SEK -26.8 M (-27.3). Earnings before interest and tax (EBIT) totalled SEK -37.5 M (-40.2) and the loss after tax was SEK -38.3 M (-40.6).

Investments

The Group's investments in non-current assets amounted to SEK 20.3 M (14.0), of which SEK 19,8 M (12.0) comprised intangible assets, including SEK 15.6 M of development expenses related to the ORBCOMM project and the development of next-generation nano and small satellites.

Cash flow, liquidity and financial position

Available cash and cash equivalents as of 31 December 2020 totalled SEK 62.4 M (52.4) and an unutilised bank overdraft facility of SEK 5 M. To maintain the development pace of the next generation nano and small satellites as well as to offset the effects of postponed customer orders and delayed supplier deliveries, the Board resolved in October 2020 to carry out a directed share issue. The issue raised SEK 49.4 M after issue expenses. The Board's assessment is therefore that operations have been financed for the next twelve months.

Accounts receivable declined to SEK 9.8 M (17.7). Accounts receivable for the previous year included large prepayments from customers and a number of billable milestones reached during December.

The equity ratio amounted to 88% (85).

Employees

There were 121 employees (95) at the end of the year.

Parent Company

Parent Company net sales for totalled SEK 32.6 M (28.3), and the loss after tax, before impairment of the shares in the subsidiary Clyde Space Ltd, was SEK -14.4 M (-18.2) and after impairment SEK -59.4 M (-18.2). The impairment corresponded to the amount of the shareholders' contribution from the Parent Company to AAC Clyde Space in December 2020. Investments in non-current assets amounted to SEK 0.6 M (0.6). The equity ratio amounted to 97% (97).

Significant events after the end of the year

AAC Clyde Space's subsidiary Hyperion captured an order of EUR 0.15 M (approximately SEK 1.5 M) to carry out an in-orbit verification of CubeCAT, its space-based laser communication terminal. The terminal is designed for downlinking data at ultra-high speed, which substantially improves and facilitates data communication via small satellites. Today small satellites use radio communication with limited bandwidth and high power requirements, technology that greatly limits the ability to communicate the data collected from modern small satellites in orbit. Additionally, the process of acquiring a license to send and receive data on a dedicated radio frequency often takes one to two years. Laser communication has no space limitations and requires no license.

Responsible business

None of the Group's operations require permits. For more information about the Group's sustainability initiatives, see page 38.

Risks and uncertainties in the operations

The Board determines the level of risk-taking in the operations, taking its final decision based on proposals from the CEO.

COVID-19 affected operations during the year in the form of lower income recognition than planned in projects, since deliveries from subcontractors were delayed. The company collaborates continuously with suppliers to ensure deliveries to the greatest extent possible. The management team is continuously updating an internal Business Continuity Plan to ensure that products and services are delivered as per expectations. Accordingly, the final impact of the pandemic on the Group is difficult to determine.

The Group's facilities remain open, but work is being conducted remotely as far as is practically possible. Employees who can work effectively from home are encouraged to do so. This applies to about 70% of the employees, while the rest are involved in manufacturing, which is continuing as normal at our facilities.

The Group has substantially reduced its travel, not participated physically at trade fairs and instead meets customers and business partners digitally.

Guidelines for remuneration of senior executives

The guidelines adopted by the Annual General Meeting (AGM) on 2 June 2020 can be found in Note 8.

The guidelines for remuneration of senior executives for 2021 can be found in the notice of the 2021 AGM and entail no material changes to the guidelines adopted for 2020.

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. Since 21 August 2020, AAC Clyde Space's share has also been traded on the American OTCQX market under the symbol ACCMF.

As of 31 December 2020, 123,204,310 shares had been issued and as of 31 January 2021 (after the acquisition of SpaceQuest) 147,204,310 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 31 January 2021, the number of shareholders totalled 12,188. The single largest owner as of 31 January 2021 was SpaceQuest's former owners Dino and Lucille Lorenzini with 24,000,000 shares corresponding to 16.3% of the capital and votes. More information about AAC Clyde Space's shares and shareholders are in the section The share on page 86.

Incentive scheme

The AGM of AAC Clyde Space in June 2020 resolved on the directed issue of warrants to the Board and to employees in Sweden and the UK. Each warrant entitles the holder to subscribe for one new share at the subscription price of SEK 4.26 per share. The warrants can be exercised to subscribe for shares during the period through 1 July 2023 until 31 December 2023:

- As of 31 December 2020, Board members had subscribed for 192,000 warrants (incentive scheme 2020/2023:C)
- As of 31 December 2020, employees in Sweden had subscribed for 472,000 warrants (incentive scheme 2020/2023:A)
- As of 31 December 2020, employees in the UK had subscribed for 2,176,000 warrants (incentive scheme 2020/2023:B)

A total of 2,840,000 warrants have been subscribed for, which entails a potential dilution effect of around 2% and that AAC Clyde Space will potentially raise approximately SEK 12.1 M.

At 31 December 2020, 18,960 warrants for TO 2015/2020 expired with none subscribed.

Proposed distribution of earnings

Funds at the AGM's disposal (SEK):

Share premium reserve 681,289,773

Retained earnings -218,527,556

Loss for the year -56,386,356

Total 403,375,861

The Board proposes that no dividend be distributed and that the retained earnings of SEK 404,385,861 be carried forward.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

kSEK	Note	Full-year 2020	Full-year 2019
Net sales	6	98,384	66,435
Work performed by the company for its own use and capitalised		8,334	2,975
Other operating income	9	12,732	11,172
TOTAL		**119,450**	**80,582**
Raw materials and subcontractors		-50,262	-27,442
Personnel costs	8	-61,146	-51,791
Other external expenses	7.30	-19,504	-23,653
Other operating expenses	10	-15,357	-4,993
EBITDA		**-26,819**	**-27,297**
Depreciation/amortisation and impairment of tangible and intangible assets	15,16,29	-10,713	-12,894
EBIT		**-37,532**	**-40,191**
Financial income	11	262	103
Financial expenses	11	-1,536	-947
Net financial items		**-1,274**	**-844**
Income tax	13	511	473
PROFIT/LOSS FOR THE PERIOD		**-38,295**	**-40,562**
Other comprehensive income:			
Items that may be transferred to profit or loss			
Exchange-rate differences		-27,093	21,345
Other comprehensive income for the period		**-27,093**	**21,345**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**-65,388**	**-19,217**

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	Note	Full-year 2020	Full-year 2019
Basic and diluted earnings per share		-0.37	-0.48

CONSOLIDATED BALANCE SHEET

kSEK	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Intangible assets	16		
Goodwill		426,338	380,781
Brands		17,603	15,952
Customer relationships		8,558	3,239
Capitalised expenditure for development		27,445	16,522
Other intangible assets		14,307	2,152
Total intangible assets		**494,251**	**418,646**
Tangible assets			
Plant and equipment	15	16,055	3,931
Inventories	15	134	178
Right-of-use assets	29	12,526	14,153
Total tangible assets		**28,715**	**18,262**
Financial assets			
Other long-term securities holdings		110	–
Total financial assets		**110**	**0**
Total non-current assets		**523,076**	**436,908**
Current assets			
Inventories			
Raw materials and consumables	20	12,848	13,108
Current receivables			
Accounts receivable	19	9,459	17,743
Current tax assets	21	10,683	6,397
Contract assets	27	12,287	10,774
Other receivables	21	1,017	2,409
Prepaid expenses and accrued income	22	4,446	5,667
Cash and cash equivalents	23	62,434	52,380
Total current assets		**113,174**	**108,478**
TOTAL ASSETS		**636,250**	**545,386**

kSEK	Note	31 Dec 2020	31 Dec 2019
EQUITY AND LIABILITIES			
Equity attributable to Parent Company shareholders			
Share capital	24	4,928	3,848
Ongoing new issue		87,973	–
Other contributed capital		682,297	614,294
Reserves		1,184	28,249
Retained earnings (including earnings for the year)		-218,612	-180,296
Total equity attributable to Parent Company shareholders		**557,770**	**466,095**
Non-current liabilities			
Liabilities to credit institutions	25	280	771
Lease liability	29	9,266	11,253
Deferred tax liabilities	26	9,277	3,911
Total non-current liabilities		**18,823**	**15,935**
Current liabilities			
Accounts payable	17	15,502	9,763
Liabilities to credit institutions	25	–	–
Lease liability	29	3,602	2,876
Other liabilities		7,154	5,706
Contract liabilities	27	21,226	38,064
Accrued expenses and deferred income	28	12,173	6,947
Total current liabilities		**59,657**	**63,356**
Total liabilities		**78,480**	**79,291**
TOTAL EQUITY AND LIABILITIES		**636,250**	**545,386**

CONSOLIDATED CHANGES IN EQUITY

kSEK	Share capital	Ongoing new issue	Other contributed capital	Reserves	Retained earnings incl. profit/loss for the period	Total equity
Opening balance, 1 January 2019	**2,749**	**–**	**542,116**	**6,945**	**-139,755**	**412,056**
Profit/loss for the period	–	–	–	–	-40,562	**-40,562**
Other comprehensive income	–	–	–	21,325	–	**21,325**
Total comprehensive income	**0**	**0**	**0**	**21,325**	**-40,562**	**-19,237**
Transactions with shareholders						
Rights issue	1,100	–	81,364	–	–	**82,464**
Issue expenses	–	–	-9,189	–	–	**-9,189**
Closing balance, 31 December 2019	**3,849**	**0**	**614,291**	**28,270**	**-180,317**	**466,095**
Opening balance, 1 January 2020	**3,849**	**–**	**614,291**	**28,270**	**-180,317**	**466,095**
Profit/loss for the period	–	–	–	–	-38,295	**-38,295**
Other comprehensive income	–	–	–	-27,086	–	**-27,086**
Total comprehensive income	**0**	**0**	**0**	**-27,086**	**-38,295**	**-65,381**
Transactions with shareholders						
Warrants TO2020/2023	–	–	236	–	–	**236**
Directed share issue	769	–	51,183	–	–	**51,952**
Non-cash issue – acquisition of Hyperion	310	–	19,342	–	–	**19,652**
Non-cash issue – acquisition of SpaceQuest	–	87,973	–	–	–	**87,973**
Issue expenses	–	–	-2,757	–	–	**-2,757**
Closing balance, 31 December 2020	**4,928**	**87,973**	**682,295**	**1,184**	**-218,612**	**557,770**

Equity is attributable in its entirety to Parent Company shareholders.

CONSOLIDATED STATEMENT OF CASH FLOWS

kSEK	Note	2020	2019
Cash flow from operating activities			
EBIT		-37,532	-40,191
Adjustments for non-cash items	34	10,713	12,893
Interest received		262	73
Interest paid		-1,536	-917
Income taxes paid		-8	-11
Cash flow from operating activities before changes in working capital		**-28,101**	**-28,153**
Cash flow from changes in working capital			
Change in inventory		1,423	-6,651
Change in operating receivables		11,393	-5,744
Change in operating liabilities		-2,164	24,842
Total changes in working capital		**13,650**	**12,447**
Cash flow from operating activities		**-14,463**	**-15,706**
Cash flow from investing activities			
Acquisition of shares in subsidiaries, cash		-1,017	–
Investments in tangible assets		-952	-1,881
Investments in intangible assets		-16,227	-12,055
Cash flow from investing activities		**-21,757**	**-13,936**
Cash flow from financing activities			
New issue		51,952	–
Change in deferred tax liability		–	6
Rights issue		–	82,464
Issue expenses		-2,754	-9,189
Outgoing repayments of lease liabilities	33	-3,008	-3,152
Repayments of borrowings		-434	-423
Cash flow from financing activities		**45,523**	**69,706**
Decrease/increase in cash and cash equivalents			
Cash and cash equivalents at start of period		52,381	12,237
Increase in cash through acquisitions		762	
Exchange-rate differences in cash and cash equivalents		-820	80
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**62,434**	**52,381**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

The financial statements were authorised for issue by the Board of Directors on 6 May 2021.

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

Note 2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements pertain to the Parent Company AAC Clyde Space AB (publ) and its subsidiaries.

Basis of preparation

The consolidated financial statements of the AAC Clyde Space AB have been prepared in accordance with the Swedish Annual Accounts Act, RFR 1 Supplementary accounting rules for corporate groups, International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as adopted by the EU. They have been prepared under the historical cost convention, as modified by the revaluation of financial liabilities measured at fair value through the statement of comprehensive income.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

New and amended standards not yet adopted by the Group

A number of new accounting standards and interpretations have been published by the IASB that do not enter force until financial years starting 1 January 2020 or later and were not applied in advance by the Group. These standards are not expected to have any material impact on the Group's financial reporting in current or future reporting periods nor on predictable future transactions.

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its influence over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any liability resulting from a contingent purchase consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the carrying amount of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred and are reported in the item "Other operating expenses" in the consolidated statement of comprehensive income.

The excess of the consideration transferred and the fair value of any existing equity interest in the acquiree on the date of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit for the period.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated, including gains and losses from inter-company transactions reported as assets. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.1 Foreign currency translation

(i) Functional and presentation currency

Entities in the Group use the local currency as their functional currency, where the local currency is defined as the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Swedish kronor (SEK), which is the Parent Company's functional currency and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are recognised in the statement of comprehensive income as financial income or expenses. All other foreign exchange gains and losses are presented in the item "Other operating expenses" and "Other operating income" in the statement of comprehensive income.

(iii) Foreign subsidiary translation

The results and financial positions of foreign operations that have a functional currency different from the presentation currency are translated into the Group's presentation currency. Assets and liabilities for each statement of financial position presented are translated from the foreign operations' functional currency to the Group's presentation currency, SEK, at the closing rate at the balance sheet date. Income and expenses for each statement of profit or loss is translated into SEK at the average rate per each transaction date. All resulting exchange differences from foreign currency translation are recognised in other comprehensive income.

2.2 Revenue recognition

Revenue is measured at the fair value of what has been or will be received, and is equivalent to the amount received for goods sold less discounts and VAT.

The Group recognises revenue when the amount can be reliably measured, when it is likely to lead to financial advantages for the company in the future and when the below criteria have been met for each of the Group's operations.

(i) Sale of goods

The Group develops, manufactures and sells satellite platforms and subsystems. Product sales are reported as revenue when control of the goods is transferred, which happens when they are delivered to the customer. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. Income from the sale of customised satellite platforms and subsystems is recognised based on the price in the contract and degree of completion. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made.

(ii) Sales of services

The Group provides services at fixed and variable prices in the form of consulting and project fees for launching and operating satellites in orbit as well as for the sale of data from its own satellites. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the financial year as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenue or costs are reflected in the statement of comprehensive income in the period in which the circumstances that gave rise to the revision become known by management.

In the case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by AAC Clyde Space exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

If the contract includes an hourly fee, revenue is recognised based on the hours expended. Customers are invoiced on a monthly basis and the consideration is payable when invoiced.

(iii) Sales of licences

The Group licences IP rights (technology and manufacturing licences) for components of AAC Clyde Space's technology to help customers manufacture products they can then sell to external customers. Compensation covers the licence as well as consulting services related to adapting technology for customers. The transaction price includes fixed portions and portions dependent on future events. The portion of compensation dependent on future events is recognised as variable under revenue recognition and only when AAC Clyde Space deems it likely that the compensation will be received and the conditions for receiving remuneration have been met.

The Group decides if a licence is distinct from the consulting services that will be rendered and thereby constitutes a separate performance obligation in the contract. A licence is considered a separate performance obligation when it can be used without additional consulting services from AAC Clyde Space. If a licence is considered distinct, this means that the contract includes two obligations: a licence and consulting services. These are recognised separately.

The transaction price is allocated to the licence and to the consulting services at an amount that reflects the compensation the Group expects to have a right to in exchange for transferring the licence and consulting services to the customer. This is added to an allocated transaction price for the undertaking recognised as revenue either at a specific date or over time.

Licences identified as separate performance obligations are either "right-to-access" or "right-to-use." A "right-to-access" licence includes access to AAC Clyde Spaces IP rights over the term of the licence, meaning the IP rights in question change over time as AAC Clyde Space conducts operations that significantly affect the value of the intangible asset the customer has a right to. A "right-to-use" licence includes the right to use AAC Clyde Space's IP rights as they stood at the time the licence was granted. Right-to-access licences are recognised over the period when the customer has right to exercise the licence, while right-to-use licences are recognised at a specific point in time (that is, when the customer is given control over the licence).

If consulting services are considered a separate and distinct commitment, their revenue is recognised over time according to the accounting policies given above in "Sales of services."

If the licence is not distinct from the consulting services provided to the customer, the two items are recognised as a single performance commitment. An assessment is made of whether income for the combined performance commitment is reported at a certain date or over time, depending on when control of both the licence and the consulting services were transferred to the customer.

(iv) Sales-based royalties

Revenue from sales-based royalties pledged in exchange for a licence for an intangible fixed asset is only recognised after the later of the following events:

- subsequent sale
- the performance commitment pertaining to the sales-based royalty has been fulfilled.

(v) Interest income

Interest income is recognised as income using the effective interest method.

2.3 Leases

Accounting policies from 1 January 2019

The Group's leases consist largely of premises and vehicles. Leases are normally signed for fixed periods of one to five years, but may have extension options, as 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 expenses. The financial expense 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.

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 and
- payments made on or before the point in time when the leased asset is made available to the lessee.

For low-value leases, the practical exemption in IFRS 16 applies, which means that lease payments are expensed on a straight-line basis in profit or loss over the term of the lease and no right-of-use asset or lease liability is recognised in the statement of financial position.

Options for extending and cancelling leases

Options for extending or cancelling leases are included in the asset and the liability where it is judged reasonably certain that they will be utilised.

2.4 Employee benefits

a) Current benefits

Liabilities for wages and salaries, including non-monetary benefits and paid absence that are expected to be settled wholly within 12 months after the end of the financial year are recognised as current liabilities at the undiscounted amounts expected to be paid when the liabilities are settled. The cost is recognised at the pace at which the employees render the related services. The liabilities are presented as current employee benefit obligations in the statement of financial position.

b) Post-employment benefit plans

Group companies only have defined contribution plans. In a defined-contribution pension plan, the Group makes fixed payments to a separate legal entity.

The Group does not have any legal or informal obligations to pay additional fees if the legal entity does not have sufficient assets to pay the entire vested benefit accrued during the current or previous periods. Payments are recognised as a cost in profit or loss for the period as vested through services performed for the company by employees during the period.

c) Share-based payments

The Group has one employee warrant programme. The fair value of the service that entitles employees to allotment of warrants through the Group's employee warrant programme is recognized as a personnel cost with a corresponding increase in equity.

The total sum expensed is based on the fair value of the warrants allotted: including all market-related terms and conditions (e.g., share target price), excluding any impact from terms of employment and non-market-related vesting conditions (e.g., profitability targets for sales increases and the employee remaining in the company's employ for a set period of time) and including the impact of non-vesting conditions (e.g., any requirement for employees to save or retain the shares for a set period of time).

The total expense is recognised over the vesting period, that is the period in which all the specified vesting terms and conditions are to be fulfilled. At the end of each reporting period, the Group reviews its assessments of the number of shares expected to vest based on the non-market-related vesting conditions and the terms of employment. Any deviation compared with the initial assessments that results from the review is recognised in the income statement and corresponding adjustments are made in equity.

Social security contributions that arise from the allotment of warrants are considered an integral component of the allotment and the cost is treated as a cash-regulated share-based payment.

2.5 Current and deferred income tax

Tax expenses for the period include current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In such cases, the tax is also recognised in other comprehensive income or in equity, respectively.

The current tax is based on taxable earnings for the period according to the prevailing tax rate. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the parent Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable tax regulations are subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable surpluses will be available against which to utilise those temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.6 Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration, any non-controlling interest in the acquiree and the fair value at the acquisition date of pre-existing equity interests in the acquiree over the fair value of identifiable acquired net assets.

For the purpose of testing for any impairment requirement, acquired goodwill is allocated to those cash-generating units or groups of cash-generating units that are expected to benefit from the acquisition synergies. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Capitalised expenditure for development

Costs associated with maintenance are recognised as an expense as incurred. Development expenses that are directly attributable to the design of satellite platforms and subsystems controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete them so that they will be available for use,
- management intends to complete them and use or sell them,
- there is an ability to use or sell them,
- it can be demonstrated how they will generate probable future economic benefits,
- adequate technical, financial and other resources to complete the development and to use or sell them are available, and
- the expenditure attributable to them during their development can be reliably measured.

Directly attributable costs that are capitalised as part of development include employee and external consultant costs. Other development expenses that do not meet these criteria are recognised as an expense as incurred. Development expenses previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development expenses are recognised as intangible assets and amortised from the point at which the asset is ready for use.

Customer relationships

Customer relationships acquired as part of a business combination (see Note 37 Business combinations for details) are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line basis over their estimated useful lives. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment. The estimated useful life amounts to five years, which reflects the estimated time they will generate cash flow.

Brand

Trademarks/brands acquired in a business combination (see Note 37 Business combinations for details) are recognised at fair value at the acquisition date. As long as brands are used, maintained and invested, they are deemed to have an indefinite useful life and are carried at cost and tested annually for impairment according to the method described for goodwill above.

Other intangible assets

Other intangible assets include patents, software, technology and order backlog. Accounting policies for these items are described below.

(i) Patents

Separately acquired patents are shown at historical cost. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. The estimated useful life amounts to ten years, which reflects the estimated time they will generate cash flow.

(ii) Software

Software acquired as part of a business combination (see Note 35 Business combinations for details) is recognised at its fair value at the date of acquisition and is subsequently amortised on a straight-line basis over its estimated useful life. It has a finite useful life and is subsequently carried at cost less accumulated amortisation and impairment. The estimated useful life amounts to three years, which reflects the estimated time it will generate cash flow.

(iii) Technology

Technology acquired as part of a business combination (see Note 35 Business combinations for details) is recognised at its fair value at the date of acquisition and is subsequently amortised on a straight-line basis over its estimated useful life. It has a finite useful life and is subsequently carried at cost less accumulated amortisation and impairment.

The estimated useful life amounts to five years, which reflects the estimated time it will generate cash flow.

(iv) Order backlog

The order backlog acquired as part of a business combination (see Note 35 Business combinations for details) is recognised at its fair value at the date of acquisition and is subsequently amortised on a straight-line basis over its estimated useful life. The order backlog is carried at cost less accumulated amortisation and impairment losses. The estimated useful life amounts to one year, which reflects the estimated time it will generate cash flow.

Useful lives for the Group's intangible assets

Capitalised expenditure for development	3–5 year
Patents	10 year
Customer relationships	5 year
Technology	5 year
Software	3 year
Order backlog	1 year

2.7 Tangible assets

The accounting policies below pertain to owned assets.

Tangible assets are recognised at cost less depreciation and any impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the item and bringing it to the location and condition necessary for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of a component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the statement of comprehensive income during the reporting period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Useful lives are as follows:

Plant and equipment	5 year
Inventories	5 year

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of a tangible asset are determined by comparing the proceeds with the carrying amount and are recognised within "Other operating income" and "Other operating expenses," respectively, in the statement of comprehensive income.

2.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life (goodwill and brands) or intangible assets not ready to use (capitalised expenditure for development) are not subject to amortisation and are tested annually for impairment. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash flows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.9 Financial instruments – general

Financial instruments occur in several balances and are described below.

Initial recognition

Financial assets and financial liabilities are recognised when the Group becomes party to the commercial terms and conditions of the instrument. Purchases and sales of financial assets are recognised on the transaction date, the date on which the Group commits to purchase or sell the asset.

Financial instruments are initially recognised at fair value plus, for an asset or financial liability not recognised at fair value in profit or loss, transaction expenses that are directly attributable to acquiring or issuing financial assets or financial liabilities, such as fees and commissions. Transaction costs for financial assets and financial liabilities measured at fair value through profit or loss are recognised in the statement of total comprehensive income.

Classification

The Group classifies its financial assets and liabilities in the category amortised cost and financial liabilities measured at fair value through profit or loss. The classification depends on the purpose for which the financial assets or liabilities were acquired.

Financial assets at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit losses recognised (see impairment below). Interest income from these financial assets is included in financial income using the effective interest method. The Group's financial assets at amortised cost include the items accounts receivable, other receivables, and cash and cash equivalents.

Financial liabilities measured at fair value through profit or loss

Financial liabilities at fair value through profit or loss are financial liabilities held for trading or contingent considerations for business combinations. Derivatives are also categorised as held for trading unless they are designated as hedges. The Group has financial liabilities in the form of foreign currency forwards and contingent additional purchase considerations. Financial liabilities measured at fair value through profit or loss are also recognised in subsequent periods at fair value and the change in value is recognised in the statement of comprehensive income.

Financial liabilities measured at fair value through the statement of comprehensive income are classified as current liabilities if they fall due within 12 months of the balance sheet date. If they fall due after 12 months from the balance sheet date, they are classified as non-current liabilities.

Financial liabilities at amortised cost

The Group's other financial liabilities are subsequently classified as carried at amortised cost using the effective interest method. Other financial liabilities consists of liabilities to credit institutions, which pertains to loans from HSBC, Lombard, accounts payable and current liabilities.

Derecognition of financial instruments

Derecognition of financial assets

Financial assets or a portion of them are derecognised from the statement of financial position when the contractual rights to receive cash flows from the assets have expired or are transferred and either (i) the Group transfers essentially all of the material risks and advantages associated with ownership or (ii) the Group does not transfer or retain essentially all material risks and advantages associated with ownership and the Group does not retain control over the asset.

Derecognition of financial liabilities

Financial liabilities are derecognised statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability (or part of a financial liability) that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of comprehensive income.

When the terms for a financial liability are renegotiated and not derecognised from the statement of financial position, a gain or loss is reported in the statement of comprehensive income. The gain or loss is estimated as the difference between the original contractual cash flows and the modified cash flows discounted by the original effective interest rate.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legal right cannot be dependent on future events and it must be legally binding for the company and the counterparty, both in normal business operations and in the case of suspension of payments, insolvency or bankruptcy.

Impairment of financial assets

Assets carried at amortised cost

The Group assesses the future expected credit losses (ECLs) pertaining to assets carried at amortised cost. The Group recognises a loss allowance for ECLs at every reporting date. For accounts receivable, the Group applies the simplified approach to measuring loss allowances, meaning that the allowance will reflect the expected loss across the entire life of the receivable.

To measure ECLs, accounts receivable are categorised based on credit risk and days past due. The Group uses forward-looking variables for ECLs. ECLs are recognised in the item Other external expenses in the consolidated statement of comprehensive income.

2.10 Inventories

Inventory is stated at the lower of cost and net realisable value using the average-price principle. Net realisable value is the estimated selling price in operating activities less selling expenses.

2.11 Accounts receivable

Accounts receivable are amounts due from customers for goods sold or services performed in operating activities.

Accounts receivable are classified as current assets. They are recognised initially at the transaction price. The Group holds the accounts receivable with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2.12 Cash and cash equivalents

For the purpose of presentation in the statement of financial position and cash-flow statement, cash and cash equivalents includes cash on hand and bank deposits.

2.13 Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

2.15 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the asset's cost.

Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use.

Capitalisation ceases when all activities required to prepare the asset for its intended use are essentially complete. Other borrowing costs are expensed in the period in which they are incurred.

2.16 Accounts payable

Accounts payable are financial instruments and represent liabilities for goods or services acquired in the operating activities from suppliers. Accounts payable are presented as current liabilities if payment falls due within 12 months after the reporting period. Otherwise they are reported as non-current liabilities.

2.17 Government grants

Grants from the government are recognised at fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Grants accepted before the terms for recognition as revenue have been fulfilled are recognised as liabilities. This also applies to grants in the form of tax deductions.

Government assistance related to development that is capitalised as an intangible asset is recognised through the asset's carrying amount less the grant, which is recognised in profit or loss for the year under the depreciable asset's useful life in the form of lower depreciation.

During the year, the Group received COVID-19-related government grants of kSEK 743.

2.18 Cash-flow statement

The cash-flow statement has been prepared using the indirect method. Recognised cash flow only encompasses transactions that entailed payments to and from the company.

2.19 Earnings per share

(v) Earnings per share before dilution

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Parent Company, excluding any dividends attributable to preference shares

- by the weighted average number of ordinary shares outstanding during the period, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(i) Earnings per share after dilution

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- The after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Note 3 Financial risk management

3.1 Financial risk factors

The goals of the Group's financial activities are to:

- ensure that the Group can fulfil its payment obligations,
- manage financial risks,
- ensure access to sufficient funding, and
- optimise the Group's net finances.

Credit risk is managed by the Group management. For banks and financial institutions, only independently rated parties with a minimum credit rating of 'A' are accepted. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. Compliance with credit limits is regularly monitored by the Group management.

(a) Market risk

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk, primarily the US dollar (USD), the British pound (GBP) and the euro (EUR).

Foreign exchange risks arise from future commercial transactions or recognised assets or liabilities denominated in a currency that is not the functional currency of the relevant Group entity. The Group encounters currency risk in payment flows in foreign currency ("transaction exposure"), in restating balances in foreign currencies and in restating foreign subsidiaries' statements of profit or loss and statements of financial position in the Group's presentation currency (Swedish kronor, SEK) ("balance exposure").

The Group has no external borrowing in any currencies other than each entity's functional currency. However, there is inter-company borrowing in currencies other than the functional currency, which exposes the Group to a certain amount of currency risk in inter-company eliminations.

Sensitivity analysis – transaction exposure

Sensitivity in earnings pertaining to currency changes is primarily in EUR, USD and GBP and the risk primarily occurs through cross-boundary transactions where purchasing and invoicing are conducted in these currencies.

Accounts payable and receivable include significant balances in foreign currencies.

Accounts receivable in foreign currencies amounted to kSEK 3,196 at 31 December 2020 (31 December 2019: kSEK 9,711). Accounts payable in foreign currencies amounted to kSEK 8,282 at 31 December 2020 (31 December 2019: kSEK 4,335).

The Group uses derivatives such as foreign currency forwards to hedge large future cash flows. The Group does not meet the requirements for applying hedge accounting in accordance with IFRS 9. Change in fair value is thus recognised in other operating income or other operating expenses.

If the Swedish krona had grown weaker/stronger by 10% in relation to the euro, with all other variables remaining the same, the restated earnings after tax for the 2020 financial year would have been kSEK 292 (2019: kSEK 633) lower/higher.

If the Swedish krona had grown weaker/stronger by 10% in relation to the US dollar, with all other variables remaining the same, the restated earnings after tax for the 2020 financial year would have been kSEK 95 (2019: kSEK 69) lower/higher.

If the Swedish krona had grown weaker/stronger by 10% in relation to the British pound, with all other variables remaining the same, the restated earnings after tax for the 2020 financial year would have been kSEK 10 (2019: kSEK 87) lower/higher.

This is primarily the result of gains/losses when translating accounts receivable and payable.

Foreign exchange risk (translation risk)

The Group is also exposed to foreign exchange risk on consolidation of subsidiaries abroad with a functional currency other than SEK. This applies primarily to GBP, USD and EUR. The Group's policy is not to hedge translation exposure attributable to net assets abroad to mitigate translation risk in the financial statements.

Interest rate risk

The Group only has one smaller loan from credit institutions, which will be repaid in full in 2021.

(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and credit institutions, as well as credit exposures, including outstanding receivables.

The Group's operations are exposed to several financial risks related to accounts receivable and payable, loans and derivatives such as market risk (including primarily currency risk but also interest-rate risk), credit risk, liquidity risk and refinancing risk. The Group strives to minimise potentially unfavourable effects on the Group's financial earnings.

Historically, the Group has had low credit losses since customers are, to a great extent, public bodies or authorities, or otherwise major and well-known.

(c) Liquidity risk

Through prudent liquidity risk management the Group maintains sufficient cash and marketable securities to meet the needs of ongoing operations and the Group also ensures the availability of sufficient cash and cash equivalents to meet obligations when due.

The Group management actively works with continuously preparing funding and cash flow forecasts. The Group management monitors rolling forecasts of the Group's liquidity reserve to ensure that the company has the necessary cash for operating activities.

The tables below analyse the Group's non-derivative financial liabilities and derivatives (foreign currency forwards), including financial liabilities, allocated by relevant maturity groupings based on their contractual maturities. The amounts included in the maturity tables are the contractual undiscounted cash flows, excluding foreign currency forwards.

Future cash flows in foreign currencies or pertaining to variable interest rates have been calculated based on the exchange and interest rates on the balance sheet date.

Foreign currency forwards that include financial liabilities are included in the interval with their fair value because the contractual maturities are not essential for an understanding of the timing of the cash flows.

3.2 Capital management

The Group's goal for capital structure is to secure the Group's ability to continue its operations so it can generate returns for shareholders and maintain an optimal capital structure that keeps capital expenses to a minimum.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends distributed to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

At 31 December 2019	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contracted	Carrying amount
Financial liabilities (excluding derivatives)							
Liabilities to credit institutions	193	323	341	–	–	857	771
Accounts payable	9,763	–	–	–	–	9,763	9,763
Other liabilities	–	–	–	–	–	–	–
Total Financial liabilities (excluding derivatives)	**9,956**	**323**	**341**	**0**	**0**	**10,620**	**10,534**
Foreign currency forwards	188	–	327	–	–	515	515
Total derivatives	**188**	**0**	**327**	**0**	**0**	**515**	**515**
Total Financial liabilities (excluding derivatives)	**10,144**	**323**	**668**	**0**	**0**	**11,135**	**11,049**

At 31 December 2020	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contracted	Carrying amount
Financial liabilities (excluding derivatives)							
Liabilities to credit institutions	81	217	–	–	–	298	280
Lease liability	653	3,263	4,824	5,838	1,327	15,906	12,868
Additional purchase consideration	–	–	1,017	18,372	–	19,389	15,234
Accounts payable	15,502	–	–	–	–	15,502	15,502
Other liabilities	–	–	–	–	–	–	
Total Financial liabilities (excluding derivatives)	**16,236**	**3,480**	**5,841**	**24,210**	**1,327**	**51,095**	**43,884**
Foreign currency forwards	–	280	–	–	–	280	280
Total derivatives	**0**	**280**	**0**	**0**	**0**	**280**	**280**
Total Financial liabilities (excluding derivatives)	**16,236**	**3,760**	**5,841**	**24,210**	**1,327**	**51,375**	**44,164**

Consistent with others in the industry, the Group monitors capital on the basis of the equity ratio, which is a key performance indicator equal to equity in relation to total assets. During 2020, the Group's strategy, which was unchanged from 2019, was to maintain an equity ratio within 60% to 95%. The equity ratio for each accounting year was as follows:

31 Dec 2020	88%
31 Dec 2019	85%

Fair value measurements

The different levels of financial instruments measured at fair value have been defined as follows:

(a) Level 1 financial instruments

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

(b) Level 2 financial instruments

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).

(c) Level 3 financial instruments

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The Group has no financial assets measured at fair value. There were no financial liabilities measured at fair value as of 31 December 2019.

As of 31 December 2020, the Group had financial liabilities measured at fair value in the form of foreign currency forwards and contingent additional purchase considerations. At 31 December 2020, the fair value for foreign currency forwards amounted to negative kSEK 280 (31 December 2019: negative kSEK 515) and was recognised in other current liabilities in the balance sheet. Changes in value were recognised in other operating expenses in the statement of comprehensive income. Fair values for foreign currency forwards are found in Level 2 of the fair value hierarchy.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

At 31 December 2020, the fair value for contingent purchase considerations amounted to kSEK 15,324 and was recognised under intangible assets in the balance sheet. Changes in value were recognised in other operating expenses in the statement of comprehensive income. Fair values for contingent purchase considerations are found in level 3 of the fair value hierarchy. The fair values of contingent purchase considerations are based on management's assessment of the likelihood of the payment being disbursed pursuant to the conditions in the share transfer agreement. The management's assessment is that the amount stated will be disbursed in full.

There were no transfers between levels for recurring fair value measurements during the year.

The following table illustrates that changes for level 3 instruments in 2020:

Contingent purchase considerations in conjunction with business combinations	
Opening balance, 1 Jan 2020	**–**
Acquisition of Hyperion	838
Acquisition of SpaceQuest	14,486
Closing balance	**15,324**
Total gains and losses during period are recognised in the statement of comprehensive income for liabilities held at the end of the reporting period.	–
Closing balance 31 Dec 2020	**15,324**

Note 4 Disclosures regarding significant estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment tests for goodwill and brands with indefinite useful lives

The Group tests annually whether goodwill and brands with indefinite useful lives have suffered any impairment, in accordance with the accounting policy stated in Note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (see Note 16).

(b) Acquisition of Clyde Space

Clyde Space Ltd was acquired in January 2018 (see Note 37) through a non-cash issue paid in shares in AAC Clyde Space AB. Payment for the issue totalled 49% of all shares outstanding in AAC Clyde Space AB. The Group's assessment is thus that AAC Clyde Space AB has controlling interest in Clyde Space, meaning that this is not a reverse acquisition.

(c) Measurement of loss carry-forwards

Taxable loss carry-forwards have no final exercise date. Deferred tax assets are recognised only for loss carry-forwards that are likely to be recoverable using trough offsetting against future taxable surpluses and against taxable temporary differences. For further details on loss carry-forwards and deferred tax benefits see Note 26.

(d) Contingent purchase considerations

Pursuant to the agreements on contingent purchase considerations in conjunction with the acquisitions of SpaceQuest and Hyperion, the Group will disburse additional purchase considerations on fulfilment of the set performance targets. The fair values of the agreed contingent purchase considerations are based on management's assessment of the likelihood of the payment being disbursed pursuant to the conditions in the share transfer agreement. The management's assessment is that the amount stated will be disbursed in full, see Note 3.

Note 5 Segment information

Description of segments and primary activities:

AAC Clyde Space's strategic steering group, consisting of its Chief Executive Officer and Chief Financial Officer, 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. Company 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 three reportable segments in the Group's operations:

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

AAC Clyde Space, operations in Scotland
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.

Hyperion Space, operations in the Netherlands
Hyperion specialises in high-performing, miniaturised subsystems for small satellites. The company's focus is on high-performing and reliable electronics and mechatronic systems.

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	2020	2019
AAC Clyde Space	-21,602*	-13,667
Clyde Space	-5,629	-13,630
Hyperion Space	412	–
Total EBITDA	**-26,819**	**-27,297**

* includes acquisition and non-recurring personnel costs of kSEK 9,277

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

Total EBITDA	**-26,819**	**-27,297**
Net financial items	-1,274	-844
Depreciation and amortisation of tangible and intangible assets	-10,713	-12,894
Earnings before tax	**-38,806**	**-41,035**

Non-current assets other than financial instruments and deferred tax assets are allocated by country as follows:

Sweden	130,585	117,625
UK	302,777	319,283
Rest of Europe	12,446	–
Rest of world	77,157	–
Total	**522,965**	**436,908**

Note 6 Net sales

Income

Since income from external parties is reported to the strategic steering group, it is measured in a manner consistent with that in the consolidated statement of comprehensive income. The majority of income is recognised over time.

2020	Clyde Space	AAC Clyde Space	Hyperion Space	Total
Income by segment	68,102	28,929	2,365	99,396
Income from other segments	-112	-900	–	-1,012
Income from external customers	**67,990**	**28,029**	**2,365**	**98,384**
Satellite platforms	54,283	411	–	54,694
Subsystems	13,707	27,618	2,365	43,690
Licences	–	–	–	–
Total	**67,990**	**28,029**	**2,365**	**98,384**

Income of approximately kSEK 27,465 for 2020 derived from a single external customer. This income was attributable to the Clyde Space segment.

2019	Clyde Space	AAC Clyde Space	Other	Total
Income by segment	40,427	28,346	–	68,773
Income from other segments	-375	-1,963	–	-2,338
Income from external customers	**40,052**	**26,383**	**0**	**66,435**
Satellite platforms	20,403	–	–	20,403
Subsystems	19,649	26,269	–	45,918
Licences	–	114	–	114
Total	**40,052**	**26,383**	**0**	**66,435**

Income of approximately kSEK 9,622 for 2019 derived from a single external customer. This income was attributable to the AAC Clyde Space AB segment.

Income from external customers broken down by location of the customers:	**2020**	**2019**
Sweden	7,320	10,795
UK	14,391	7,095
Rest of Europe	39,195	15,747
USA	23,930	19,409
Asia	6,961	10,779
Rest of world	6,587	3,082
Total	**98,384**	**66,907**

Note 7 Remuneration to auditors

kSEK	2020	2019
PricewaterhouseCoopers		
Audit assignment	1,733	1,336
Auditing services in addition to the assignment	460	858
Tax advice	20	25
Other services	2,793	–
Total	**5,006**	**2,219**

kSEK	2020	2019
Alliotts		
Audit assignment	34	–
Auditing services in addition to the assignment	–	–
Tax advice	10	–
Other services	5	–
Total	**49**	**0**

Note 8 Remuneration to employees, etc.

kSEK	2020	2019
Salary and other benefits	47,085	39,981
Social security contributions	7,330	7,174
Pension costs – defined contribution plans	3,254	2,877
Total	**57,669**	**50,032**

Salary and other benefits, social security expenses	2020 Salary and other benefits (of which bonus)	2020 Social security expenses (of which pension expenses)	2019 Salary and other benefits (of which bonus)	2019 Social security expenses (of which pension expenses)
Board members, the CEO and other senior executives	8,977 (100)	2,301 (753)	6,500 (97)	1,885 (590)
Other employees	39,183 (0)	8,515 (2,501)	34,255 (32)	8,355 (2,287)
Group total	**48,160 (100)**	**10,816 (3,254)**	**40,755 (129)**	**10,240 (2,877)**

Average number of employees broken down by country	Total	Of whom, men	Total	Of whom, men
Sweden	24	19	24	20
UK	73	58	66	47
The Netherlands	12	10	–	–
USA	8	7	–	–
Group total	**117**	**94**	**90**	**67**

Gender distribution in the Group (incl. subsidiaries) for Board members and other senior executives	Number at the end of the reporting period	Of whom, men	Number at the end of the reporting period	Of whom, men
Board members	5	4	5	4
CEO and other senior executives	7	7	4	4
Group total	**12**	**11**	**9**	**8**

Remuneration and other benefits to senior executives in 2019

2019	Board fees/ Base salary	Consultant fees	Variable remuneration	Other benefits	Pension expenses	Other remuneration	Total
Chairman of the Board Rolf Hallencreutz	300	724	–	–	–	–	**1,024**
Board member Per Danielsson	150	–	–	–	–	–	**150**
Board member Per Aniansson	87	–	–	–	–	–	**87**
Board member Will Whitehorn	150	200	–	–	–	–	**350**
Board member Anita Bernie	87	117	–	–	–	–	**204**
	775	**1,041**	**0**	**0**	**0**	**0**	**1,815**
CEO Alfonso Barreiro (Jan–Feb)	209	–	–	1	48	13	**271**
Interim CEO Mats Thideman (Mar–Apr)	284	–	–	14	45	4	**347**
CEO Luis Gomes (May–Dec)	998	–	97	–	38	–	**1,133**
Other senior executives (4)	4,006	–	–	86	459	13	**4,564**
	5,497	**0**	**97**	**101**	**590**	**30**	**6,315**
Group total	**6,272**	**1,041**	**97**	**101**	**590**	**30**	**8,130**

Bonuses were paid in 2019 to some senior executives and one other employee based on personal targets.

Remuneration and other benefits to senior executives in 2020

2020	Board fees/ Base salary	Consultant fees	Variable remuneration	Other benefits	Pension expenses	Other remuneration	Total
Chairman of the Board Rolf Hallencreutz	300	818	–	–	–	–	**1,118**
Board member Per Danielsson	150	–	–	–	–	–	**150**
Board member Per Aniansson	150	9	–	–	–	–	**159**
Board member Will Whitehorn	150	200	–	–	–	–	**350**
Board member Anita Bernie	150	200	–	–	–	–	**350**
	900	**1,227**	**0**	**0**	**0**	**0**	**2,127**
CEO Luis Gomes	1,509	–	–	–	90	–	**1,599**
Other senior executives (6)	6,152	–	100	137	663	5	**7,057**
	7,661	**0**	**100**	**137**	**753**	**5**	**8,656**
Group total	**8,561**	**1,227**	**100**	**137**	**753**	**5**	**10,783**

Bonuses were paid in 2020 to one senior executive based on personal targets.

Consulting fees consist of services rendered in addition to Board assignments. Other benefits consist of leased vehicles and health insurance. Other remuneration consists of travel and accommodation allowances.

Notice periods/termination benefits

A notice period of six (6) months applies mutually between the company and the CEO. Upon termination from the company's side, salary is paid throughout the notice period. According to prevailing standards, a notice period of three (3) months applies mutually between the company and salaried employees and other senior executives. There is no agreement between Board members or senior executives and the company regarding benefits after assignments are completed. A non-competition clause applies for 12 months after the end of employment for the CEO and senior executives, during which the company commits to paying the difference in salary for the subsequent new employment.

Share-based payments

Warrant programmes

A summary follows of active warrant programmes in the Group during any of the periods encompassed by the 2020 Annual Report.

Warrants TO 2015/2020

In September 2015 the Board resolved to issue 22,832 TO 2015/2020 warrants. The subscription price was SEK 9.96 per warrant and subscription was open for all permanent employees and a small group of Board members. Each TO 2015/2020 warrant conveyed the right to subscribe for 50 new shares in the company at a cash subscription price of SEK 4.80 per share. Employees and Board members paid the market price for the warrants and thereby no personnel costs arose as a result of the warrant programme. The CEO and the Group management held 1,430 warrants. The warrants could be exercised up to and including 31 December 2020. A total of 19,380 TO 2015/2020 warrants were subscribed for at the end of 2015, of which 4,290 were subscribed for by members of the Board. At 31 December 2017 and 31 December 2018, senior executives held a total of 1,430 warrants. At 31 December 2019 a total of 420 warrants had been exercised. All TO2015/2020 warrants outstanding expired as per 31 Dec 2020.

A summary of TO 2015/2020 warrants outstanding follows:

	2020 Number warrants	2019 Number warrants
At 1 January	18,960	18,960
Allotted	–	–
Forfeited	–	–
Exercised	–	–
Expired	-18,960	–
At 31 December	**0**	**18,960**

Warrants 2020/2023

The Group has allotted warrants to employees in 2020. Each warrant can be exercised by the holder to subscribe for one share at a fixed price. The warrants can be exercised three years after the allotment date. No warrants were exercised in the year ending 31 December 2020. The warrants were issued free of charge. The warrants are not transferable.

The AGM of AAC Clyde Space in June 2020 resolved on the directed issue of warrants to the Board and to employees in Sweden and the UK. Each warrant entitles the holder to subscribe for one new share at the subscription price of SEK 4.26 per share. The warrants can be exercised to subscribe for shares during the period through 1 July 2023 until 31 December 2023:

- As of 31 December 2020, Board members had subscribed for 192,000 warrants (incentive scheme 2020/2023:C)
- As of 31 December 2020, employees in Sweden had subscribed for 472,000 warrants (incentive scheme 2020/2023:A)
- As of 31 December 2020, employees in the UK had subscribed for 2,176,000 warrants (incentive scheme 2020/2023:B)

A total of 2,840,000 warrants have been subscribed for, which entails a potential dilution effect of around 2% and that AAC Clyde Space will potentially raise approximately SEK 12.1 M.

Warrants outstanding at year end had the following expiry dates and exercise prices:

2020	Average exercise price in SEK per warrant	Number warrants
At 1 January	–	–
Allotted	4.26	2,840,000
Forfeited	–	–
Exercised	–	–
Expired	–	–
At 31 December	**4.26**	**2,840,000**

Allotment date	Contracted expiry date	Exercise price	Number warrants
22 June 2020	31 Dec 2023	2,556,000	600,000
23 Oct 2020	31 Dec 2023	8,724,480	2,048,000
15 Dec 2020	31 Dec 2023	272,640	64,000
31 Dec 2020	31 Dec 2023	545,280	128,000
Total		**12,098,400**	**2,840,000**

Fair value of allotted warrants

The estimated fair value as per the allotment date for warrants allotted in 2020 was SEK 0.91 per warrant. Fair value on the allotment date was calculated using an adapted version of the Black-Scholes valuation model that took into consideration the warrants' exercise price, duration and dilution effect (if material) as well as the share price on the allotment date, expected share price volatility, expected dividend yield, risk-free interest rate for the warrant's duration, and the correlation and volatility for a group of comparative companies.

Input data in the model for the warrants allotted during the year comprised:

- exercise price: SEK 4.26
- allotment date: 22 June 2020
- expiry date: 31 Dec 2023
- share price on the allotment date: SEK 3.73
- expected volatility in the company's share price: 40%
- expected dividend yield: 0%
- risk-free interest rate: -0.24%

The expected share-price volatility is based on historic volatility data (based on the remaining duration of the warrant) adjusted for expected changes in future volatility as a result of publicly available information.

Guidelines for remuneration of senior executives

Remuneration

The main principle is that remuneration and other employment conditions for senior executives are market-based and competitive in order to ensure that the Group can attract and retain competent senior executives at a cost that is reasonable for the company.

Total remuneration to senior executives consists of fixed salary, variable remuneration, pension and other benefits. A fundamental balance is in place between fixed and variable remuneration to avoid senior executives being encouraged to take inappropriate risks. Accordingly, fixed remuneration is set at a sufficient proportion of the senior executive's total remuneration to allow variable remuneration to be set at zero. Variable remuneration to any senior executive, whose function or total remuneration level entail that the executive could have a material impact on the company's risk profile, is not permitted to exceed the fixed remuneration.

Fixed salary

Each senior executive is offered a market-based fixed salary based on the complexity of the work and the senior executive's experience, responsibilities, competence and performance. The fixed salary is reviewed each year.

Variable remuneration

In addition to fixed annual salary, members of Group management may also receive variable remuneration, which is paid in cash and based on the company's financial performance and/or on the outcome vis-à-vis performance targets within the individual's area of responsibility and is aligned with shareholders' interests. Variable remuneration is limited to a maximum of 50% of the fixed annual salary for the CEO and a maximum of 50% of the fixed annual salary for other members of Group management. In the event that variable remuneration is paid on the basis of information which subsequently proves to be evidently incorrect, the company has the possibility to reclaim any such paid remuneration. Variable cash remuneration does not qualify for pension benefits unless otherwise agreed.

Variable remuneration is based on clear predetermined, measurable criteria and financial performance as well as on predetermined targets and operational goals. Moreover, it is designed to promote the company's long-term value creation.

Pensions

Unless agreed otherwise, senior executives are offered pension terms which are market-based in the country in which the executive is permanently resident.

As a general rule, variable cash remuneration does not qualify for pension benefits.

Other benefits

Other benefits such as a company car, additional health insurance and medical benefits are limited in value in relation to other remuneration and are only payable in so far as they are considered to be market-based for senior executives holding corresponding positions in the labour market where the executive in question is employed.

Long-term share- or share-price-based incentive schemes

Each year, the Board considers whether to propose that the AGM adopt a share- or share-price-based incentive scheme. Any incentive schemes proposed must contribute to long-term value growth.

Senior executives can be offered corresponding incentives to those that would have been offered under a share- or share-price-based incentive scheme, if such a scheme should prove practically impossible to implement in the senior executive's tax domicile, or if in the company's assessment that such participation cannot be implemented at a reasonable administrative cost or financial contribution. Under such circumstances, the cost and the investment for the company as well as the incentive and financial outcome for the senior executive in question must essentially correspond to the share- or share-price-based incentive scheme, unless the company considers a deviation to be in line with the shareholders' interests.

Notice

In the case notice is given by the company, the notice period is not longer than 12 months for all senior executives, with a right to redundancy payment after the expiration of the notice period corresponding to not more than 100% of the fixed salary for a maximum of 12 months, meaning that the fixed salary and redundancy payment together do not exceed 24 months' fixed salary. As a main rule, any right to redundancy payment decreases in circumstances where remuneration is received from another employer. In the event notice is given by a senior executive, the notice period is generally 6 months for the CEO and 3–6 months for other senior executives.

Remuneration of Board members

Work performed by Board members elected by the general meeting, above and beyond the tasks incumbent on the Board, can be remunerated. Such remuneration must be market-based and approved by the Board.

Scope

These guidelines encompass those individuals that are members of the Group management during the period when the guidelines are in force. The guidelines apply for agreements entered into after resolution by the general meeting and, as far as changes are made to existing agreements, thereafter. The Board of Directors has the right to depart from these guidelines in an individual case, if there are particular reasons to do so.

Information pertaining to previously decided remuneration

Except for recurring commitments, there are no remuneration commitments in relation to senior executives that have not fallen due.

Note 9 Other operating income

kSEK	2020	2019
Exchange-rate differences	4,734	4,595
Research and development tax deduction	7,985	6,577
IFRS 16 – realised rental contract	13	–
Total	**12,732**	**11,172**

Note 10 Other operating expenses

kSEK	2020	2019
Exchange-rate differences	7,830	4,993
Acquisition costs of Hyperion	2,669	
Acquisition costs of SpaceQuest	4,858	–
Total	**15,357**	**4,993**

Note 11 Financial income and expenses

kSEK	2020	2019
Interest expense – bank loans	-59	-153
Interest expense – other	-121	-102
Interest expense – leased assets Note 29	-569	-692
Exchange-rate differences	-698	–
Other financial expenses	-88	–
Total financial expenses	**-1,535**	**-947**
Interest income	95	73
Exchange-rate differences	166	–
Other financial income	–	30
Total financial income	**261**	**103**
Net financial items	**-1,274**	**-844**

Note 12 Net exchange-rate differences

The exchange-rate differences recognised in the statement of comprehensive income are included as follows:

kSEK	2020	2019
Other operating income (Note 9)	4,734	4,496
Other operating expenses (Note 10)	-7,830	-4,993
Financial items (Note 11)	-532	–
Total	**-3,628**	**-497**

Note 13 Income tax

kSEK	2020	2019
Current tax:		
Current tax on earnings for the year	12	-6
Adjustments for current tax of prior periods	–	–
Total current tax	**12**	**-6**
Deferred tax (Note 26)		
Origination and reversal of temporary differences	-523	479
Effect of change in tax rate	–	–
Total deferred tax	**-523**	**479**
Total income tax	**-511**	**473**

kSEK	2020	2019
Earnings before tax	**-38,806**	**-41,035**
Estimated income tax according to the tax rate in Sweden (21.4%)	-8,304	-8,781
Tax effects of:		
Non-deductible foreign tax	12	6
Non-deductible expenses	4	615
Difference in foreign tax rates	-59	-61
Effect of changes in tax rates and tax laws	–	–
Loss carry-forwards for the year for which deferred tax benefits are not recognised	7,836	8,694
Other	–	–
Income tax	**-511**	**473**

The income tax on the Group's earnings before tax differs from the theoretical amount that would arise using the Swedish tax rate applicable to earnings of the consolidated entities as follows:

The weighted average tax rate for the Group was 20.2% (2019: 20.2%).

Note 14 Investments in subsidiaries

The Group included the following subsidiaries at 31 December 2020:

Name:	Corp. reg. no.	Place of business /country of incorporation	Percentage of ordinary shares directly owned by the Parent Company (%)	Percentage of ordinary shares owned by the Group (%)
Clyde Space Ltd	SC285287	Glasgow, UK	100%	100%
Orbitum AB	556677-7086	Uppsala, Sweden	100%	100%
Hyperion Space NV	58,607,013	Delft, the Netherlands	100%	100%
SpaceQuest Ltd.	0436321-4	Virginia USA	100%	100%
AAC Microtec UK Ltd	10 565 806	Didcot, Oxfordshire, UK	100%	100%
AAC Microtec North America, Inc.	45-3178866	California, USA	0%	100%
AAC Holding North America Inc.	46-0869153	California, USA	100%	100%

Name:	Equity	Earnings
Clyde Space Ltd	25,748	-14,397
Orbitum AB	103	–
Hyperion Space NV*	4,517	271
SpaceQuest Ltd**	15,522	–
AAC Microtec UK Ltd	–	–
AAC Microtec North America, Inc.	-729	-149
AAC Holding North America Inc.	–	–

* The earnings pertain to the period from 1 Nov to 31 Dec 2020, refer to Note 35 for information on the full-year results.

** No results are stated for the acquisition completed on 30 December 2020 see 35 for more information about the full-year results.

Note 15 Tangible assets

The carrying amounts for all items reported under tangible assets in the statement of financial position.

Carrying amount	31 Dec 2020	1 Jan 2020
Owned assets	16,189	4,109
Leased assets (Note 29)	12,526	14,153
Total	**28,715**	**18,262**

For additional disclosures regarding right-of-use assets, see Note 29.
A reconciliation of owned assets follows.

kSEK	Plant and other technical equipment	Inventories	Total
At 1 January 2019			
Cost	2,491	7,174	**9,665**
Accumulated depreciation	-1,816	-3,641	**-5,457**
Carrying amount	**675**	**3,533**	**4,208**
2019 financial year			
Opening carrying amount	675	3,533	**4,208**
Translation differences	260	41	**301**
Purchases	1,898	85	**1,983**
Reclassification	2,879	-2,952	**-73**
Sales and disposals	–	–	**0**
Depreciation	-1,762	-523	**-2,285**
Impairment	–	–	**0**
Translation differences	-19	-6	**-25**
Closing carrying amount	**3,931**	**178**	**4,109**
At 31 December 2019			
Cost	7,528	4,348	**11,876**
Accumulated depreciation and impairment	-3,597	-4,170	**-7,767**
Carrying amount	**3,931**	**178**	**4,109**
2020 financial year			
Opening carrying amount	3,931	178	**4,109**
Translation differences	-363	-17	**-380**
Purchases	984	70	**1,054**
Translation differences	-60	-4	**-64**
Acquired through business combinations	12,711	–	**12,711**
Sales and disposals	–	–	**0**
Depreciation	-1,228	-94	**-1,322**
Impairment	–	–	**0**
Translation differences	75	6	**81**
Closing carrying amount	**16,050**	**139**	**16,189**
At 31 December 2020			
Cost	20,800	4,397	**25,197**
Accumulated depreciation and impairment	-4,750	-4,258	**-9,008**
Carrying amount	**16,050**	**139**	**16,189**

Note 16 Intangible assets

kSEK	Goodwill	Capitalised expenditure for development	Customer relationships	Technology	Brands	Other intangible assets (patents, order backlog, software, etc.)	Total
At 1 January 2019							
Cost	354,540	27,782	4,763	–	14,465	10,446	**411,996**
Accumulated amortisation	–	-18,587	-914	–	–	-6,906	**-26,407**
Translation differences	6,275	–	136	–	356	240	**7,007**
Carrying amount	**360,815**	**9,195**	**3,985**	**0**	**14,821**	**3,780**	**392,596**
2019 financial year							
Opening carrying amount	360,815	9,195	3,985	–	14,821	3,780	**392,596**
Translation differences	19,966	20	292	–	1,131	187	**21,596**
Purchases	–	11,883	–	–	–	–	**11,883**
Reclassification	–	73	–	–	–	–	**73**
Acquired through business combinations	–	–	–	–	–	–	**0**
Sales and disposals	–	-36	–	–	–	–	**-36**
Amortisation	–	-4,610	-1,038	–	–	-1,815	**-7,463**
Translation differences	–	-2	–	–	–	–	**-2**
Closing carrying amount	**380,781**	**16,522**	**3,239**	**0**	**15,952**	**2,152**	**418,647**
At 31 December 2019							
Cost	354,540	39,722	5,191	–	15,952	10,873	**426,278**
Accumulated amortisation and impairment	–	-23,197	-1,952	–	–	-8,721	**-33,870**
Translation differences	26,241	-2	–	–	–	–	**26,239**
Carrying amount	**380,781**	**16,522**	**3,239**	**0**	**15,952**	**2,152**	**418,647**
2020 financial year							
Opening carrying amount	380,781	16,522	3,239	–	15,952	2,152	**418,647**
Translation differences, opening balance	–	-1,051	–	–	–	–	**-1,051**
Purchases	–	16,227	–	–	–	–	**15,276**
Acquired through business combinations	71,662	–	6,625	14,037	3,131	–	**95,455**
Sales and disposals	–	–	–	–	–	–	**0**
Amortisation	–	-3,309	-1,055	-272	–	-1,463	**-6,099**
Translation differences, profit/loss items	-26,105	-943	-251	-95	-1,480	-51	**-27,974**
Closing carrying amount	**426,338**	**27,446**	**8,558**	**13,670**	**17,603**	**638**	**494,253**
At 31 December 2020							
Cost	426,202	54,998	11,816	14,037	19,083	10,873	**537,009**
Accumulated amortisation and impairment	–	-26,507	-3,007	-272	–	-10,184	**-39,970**
Translation differences	136	-1,045	-251	-95	-1,480	-51	**-2,786**
Carrying amount	**426,338**	**27,446**	**8,558**	**13,670**	**17,603**	**638**	**494,253**

Impairment tests for goodwill and brands

AAC's strategic steering group assesses the performance of operations based on the Group's three operating segments: AAC Clyde Space; Clyde Space; and Hyperion. Goodwill and brands are monitored by the strategic steering group at the operating segment level. Goodwill and brands arose from the acquisition of Hyperion in November 2020 and of SpaceQuest at the end of December 2020, so no information is provided for the comparative periods. Below is a summary of the goodwill and brands allocated to each operating segment.

Goodwill	31 Dec 2020	31 Dec 2019
AAC Clyde Space	99,271	99,271
Clyde Space	255,531	281,510
Hyperion	9,391	–
SpaceQuest	62,144	–
Total	**426,337**	**380,781**

Brands		
AAC Clyde Space	–	–
Clyde Space	14,480	20,545
Hyperion	583	–
SpaceQuest	2,540	–
Total	**17,603**	**20,545**

The recoverable amount for goodwill and brands with indefinite useful lives has been determined based on value-in-use calculations. AAC's strategic steering group has decided that sales growth, the EBITDA margin, the discount rate and long-term growth are the most important assumptions in impairment testing. Value-in-use calculations use pre-tax cash flow projections based on financial forecasts approved by the strategic steering group covering a ten-year period. The calculations are based on the strategic steering group's experience and historical data. The long-term sustained growth rate for all operating segments has been estimated based on industry forecasts.

The material assumptions, long-term growth rate and discount rate used for calculating value-in-use for goodwill and brands related to the Clyde Space operating segment are given below.

The key assumptions used for value-in-use calculations are as follows:

31 Dec 2020	AAC Clyde Space	Clyde Space
Pre-tax discount rates* Goodwill	20.1%	20.0%
Long-term growth rate** Goodwill	2%	2%
Pre-tax discount rate* Brands	n/a	20.0%
Long-term growth rate** Brands	n/a	2%

* The discount rate before tax is used to calculate the present value of estimated future cash flows.

** Weighted average growth rate used to extrapolate cash flows beyond the budget period.

Sensitivity analysis for goodwill and brands:

The recoverable amount exceeds the carrying amounts for goodwill and brands by a healthy margin. This also applies for each assumption if:

- the discount rates for AAC Clyde Space and Clyde Space were 1% and 2% higher, respectively
- the estimated growth rate for extrapolating cash flows beyond a ten-year period were 0%.

The most material assumptions, aside from the discount rate and long-term growth, are the EBITDA margin and sales growth. A change in these assumptions of four and one percentage points, respectively, would not entail any impairment.

No impairment need was detected for goodwill and/or brands for the financial year.

Note 17 Financial instruments by category

The majority of the Group's financial instruments are valued at amortised cost.

31 Dec 2019	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost
Assets as per the balance sheet		
Accounts receivable	–	17,743
Contract assets	–	10,774
Other current receivables	–	5,667
Cash and cash equivalents	–	52,380
Total	**–**	**86,564**

31 Dec 2019	Financial liabilities measured at fair value through profit or loss	Financial liabilities measured at amortised cost
Liabilities as per the balance sheet		
Derivatives	515	–
Accounts payable	–	9,763
Liabilities to credit institutions	–	771
Contract liabilities	–	38,064
Other current liabilities	–	1,781
Accrued expenses	–	6,099
Total	**515**	**56,478**

31 Dec 2020	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost
Assets as per the balance sheet		
Accounts receivable	–	9,459
Contract assets	–	12,287
Other current receivables	–	11,700
Prepaid expenses	–	4,446
Cash and cash equivalents	–	62,434
Total	**15,324**	**100,326**

31 Dec 2020	Financial liabilities measured at fair value through profit or loss	Financial liabilities measured at amortised cost
Liabilities as per the balance sheet		
Derivatives	-15,324	–
Contingent additional purchase considerations	15,324	–
Accounts payable	–	15,502
Liabilities to credit institutions	–	898
Contract liabilities	–	21,226
Other current liabilities	–	6,535
Accrued expenses	–	12,173
Total	**-280**	**56,334**

Note 18 Derivatives

The Group does not apply hedge accounting and instead classifies its holdings in derivatives as "held for trading" for accounting purposes. The Group has the following holdings in derivatives:

Current liabilities	31 Dec 2020	31 Dec 2019
Foreign currency forward contracts – held-for-trading	-280	515
Total	**-280**	**515**

The Group uses foreign currency forwards to hedge its exposure to foreign currency risk. The foreign currency forward valid until 12 March 2021 amounts to negative kSEK 88 and the forward valid until 1 October 2021 amounts to negative kSEK 192.

Note 19 Accounts receivable

kSEK	31 Dec 2020	31 Dec 2019
Accounts receivable	10,157	17,743
Less: provision for expected credit losses	-699	–
Net accounts receivable	**9,459**	**17,743**

The carrying amounts of the Group's accounts receivable and other receivables are denominated in the following currencies:

kSEK	31 Dec 2020	31 Dec 2019
SEK	–	5,111
EUR	4,209	1,149
GBP	3,334	2,922
USD	1,916	8,562
Total	**9,459**	**17,743**

The maximum exposure to credit risk at the reporting date for accounts receivable are the above carrying amounts.

The fair value of accounts receivable equals their carrying amount, as the impact of discounting is not significant.

No accounts receivable have been pledged as security for any debts.

Note 20 Inventories

kSEK	31 Dec 2020	31 Dec 2019
Raw materials	10,887	8,517
Goods in progress	1,960	4,591
Total	**12,848**	**13,108**

The cost of inventories recognised as an expense and included in "Raw materials and subcontractors" in the statement of profit or loss amounted to kSEK 5,395 (2019: kSEK 2,872)

Note 21 Other current receivables

kSEK	31 Dec 2020	31 Dec 2019
Tax assets	10,682	6,397
Other	1,017	2,409
Total	**11,700**	**8,806**

Note 22 Prepaid expenses

kSEK	31 Dec 2020	31 Dec 2019
Prepaid rent	403	509
Prepaid lease payments	7	6
Other prepaid expenses	1,287	1,035
Other accrued income	2,749	4,117
Total	**4,446**	**5,667**

Note 23 Cash and cash equivalents

kSEK	31 Dec 2020	31 Dec 2019
Bank deposits	62,434	52,380
Total	**62,434**	**52,380**

Note 24 Share capital and other contributed capital

kSEK	No. of shares	Share capital	Other contributed capital
At 1 January 2019	**68,719,829**	**2,749**	**0**
Rights issue	27,487,930	1,099	–
At 31 December 2019	**96,207,759**	**3,848**	**0**
Exercised warrants	–	–	–
Non-cash issue	7,755,000	310	–
Rights issue	–	–	–
New issue	19,241,551	770	–
At 31 December 2020	**123,204,310**	**4,928**	**0**

Note 25 Borrowings

kSEK	31 Dec 2020	31 Dec 2019
Non-current		
Liabilities to credit institutions	280	771
Total	**280**	**771**
Current		
Liabilities to credit institutions	–	–
Total	**0**	**0**
Total borrowings	**280**	**771**

kSEK	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	Carrying amount		Fair value	
Liabilities to credit institutions	280	771	280	771
Total	**280**	**771**	**280**	**771**

The Group has the following undrawn borrowing facilities:	31 Dec 2020	31 Dec 2019
Variable interest rate:	280	771
– expires within one year	5,000	8,054

Borrowings raised by the company pertain to financing of purchased inventories.

In 2019, the Group also held an external bank loan (long- and short-term portions) from HSBC with a tenor of five years. The loan was subject to interest of 5%. The loan was repaid in full in 2020.

Financed inventories and chattel mortgages were pledged as security for the loan.

The facilities expiring within one year are annual facilities that run per calendar year with 12-month extensions.

Note 26 Deferred tax

Deferred tax liabilities are allocated as follows:

kSEK	31 Dec 2020	31 Dec 2019
Deferred tax liabilities:		
Deferred tax liability to be paid* within 12 months	500	484
Deferred tax liability* to be paid after more than 12 months	8,777	3,427
	9,277	**3,911**

* Payment is not effected through a cash outflow and is instead recognised in profit or loss

The gross movement on the deferred income tax account is as follows:

kSEK	31 Dec 2020	31 Dec 2019
Opening balance	3,911	4,083
Recognised in the statement of comprehensive income	-501	-478
Deferred tax from business combinations	6,231	–
Exchange-rate differences	-364	306
Closing balance	**9,277**	**3,911**

Changes in deferred tax liabilities during the year:

Deferred tax liabilities	Intangible assets	Right-of-use assets	Other	Total
At 1 January 2019	**4,083**	**3,339**	**–**	**7,422**
Recognised in the statement of comprehensive income	-478	-519	–	**-997**
Resulting from business combinations	–	–	–	**0**
Exchange-rate differences	306	–	–	**306**
At 31 December 2019	**3,911**	**2,820**	**0**	**6,731**
At 1 January 2020	**3,911**	**2,820**	**0**	**6,731**
Recognised in the statement of comprehensive income	-501	-75	–	**-576**
Resulting from business combinations	6,231	–	–	**6,231**
Exchange-rate differences	-364	–	–	**-364**
At 31 December 2020	**9,277**	**2,745**	**0**	**12,022**

Deferred tax assets	Lease liability
At 1 January 2019	**-3,339**
Recognised in the statement of comprehensive income	525
Resulting from business combinations	–
Exchange-rate differences	–
At 31 December 2019	**-2,814**
At 1 January 2020	**-2,814**
Recognised in the statement of comprehensive income	69
Resulting from business combinations	–
Exchange-rate differences	–
At 31 December 2020	**-2,745**

The Group's accumulated loss carry-forwards amounted to kSEK 138,698 (2019: kSEK 100,799). They can be carried forward indefinitely.

Note 27 Assets and liabilities related to contracts with customers

The Group has long-term contracts with certain customers for the development of products and services. These contracts can include a certain amount of hardware.

The Group has recognised the following assets and liabilities related to contracts with customers:

	31 Dec 2020	31 Dec 2019
Contract assets	12,287	10,774
Total contract assets	**12,287**	**10,774**
Contract liabilities	-21,225	-38,064
Total contract liabilities	**-21,225**	**-38,064**

Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current financial year relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior financial year.

	31 Dec 2020	31 Dec 2019
Revenue recognised that was included in the contract liability balance at the beginning of the period:	23,356	10,356

Portions of contract liability balance at the beginning of the period were not taken up as income during the year due to long delivery times that were paid in advance by customers.

Long-term unfulfilled contracts outstanding

The aggregate amount of the transaction price attributable to contracts that are partially or fully unsatisfied at 31 December 2020 was kSEK 156,317. Of these, the executive management team expects 64% to be fulfilled during the next year and the remaining 36% in another one to four years (see table below).

Transaction price allocated to remaining performance commitments

Total expected income:

2021	2022	2023	2024–2026	Total
99,996	22,527	13,955	19,839	156,317

Note 28 Accrued expenses and deferred income

kSEK	31 Dec 2020	31 Dec 2019
Deferred income	223	–
Accrued annual leave	2,204	1,702
Accrued social security contributions	643	497
Accrued salaries	1,059	70
Accrued payroll tax	330	352
Other external expenses	7,714	4,327
Total	**12,173**	**6,947**

Note 29 Leases

The statement of financial position shows the following amounts relating to leases:

kSEK	31 Dec 2020	31 Dec 2019
Right-of-use assets:		
Premises	12,362	13,938
Vehicles	164	215
Total	**12,526**	**14,153**

Lease liabilities:		
Non-current	9,266	11,253
Current	3,602	2,876
Total	**12,868**	**14,129**

One right-of-use asset arose during the year

The statement of profit or loss shows the following amounts relating to leases:

	2020	2019
Depreciation of right-of-use assets		
Premises	3,237	3,106
Vehicles	54	54
Total	**3,291**	**3,160**
Interest expenses (included in financial expenses)	569	115
Expense relating to leases of low-value assets that are not short-term leases (included in other external expenses in the statement of profit or loss)	390	

No material variable lease payments outside of lease liabilities were identified.

The total cash flow for leases was kSEK 3,266. The term for lease assets in Uppsala is until December 2023, in Glasgow until June 2023 and December 2024 respectively, and in Delft until 30 September 2028.

At 31 December 2020, the Group had potential future cash outflows in the form of lease payments that are not included in lease liabilities because it is not reasonably certain that the contract will be extended. Potential future lease payments were calculated based on when the option to extend can be exercised within the following intervals.

kSEK	
Potential future lease payments (undiscounted) not included in lease liabilities at 31 Dec 2020 amounted to:	
2021–2025	4,908
2026–2030	17,580
Total	**22,488**

Extension options are only found in leases for premises.

Note 30 Pledged assets

kSEK	31 Dec 2020	31 Dec 2019
Chattel mortgages	5,200	11,761
Other	–	710
Total	**5,200**	**12,471**

Note 31 Earnings per share

SEK	2020	2019
Earnings per share before dilution	-0.37	-0.48
Earnings per share after dilution	-0.37	-0.48
Reconciliations of earnings used in calculating earnings per share		
Profit attributable to the ordinary equity holders of the Parent Company, kSEK	-38,295	-40,562
Number		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	102,310,647	84,754,455
Warrants		
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	107,196,360	84 754 455

No dilution effects since earnings from the Jan–Dec period were negative.

Note 32 Related-party transactions

During the period, five Board members invoiced the company kSEK 1,226 (2019: kSEK 1,041) at market rates for the performance of consultant services linked to the company's operations. Refer also to Note 8.

Note 33 Changes in liabilities from financing activities

					Non-cash items		
kSEK	1 Jan 2019	Translation differences due to transition to IFRS 16	Cash inflow	Cash outflow	Additional contracts	Translation differences	31 Dec 2019
Liabilities to credit institutions	1,360	–	10,000	-10,693	–	104	771
Lease liability	–	16,400	–	-3,152	390	491	14,129
Total	**1,360**	**16,400**	**10,000**	**-13,845**	**390**	**595**	**14,900**

				Non-cash items		
kSEK	1 Jan 2020	Cash inflow	Cash outflow	Additional contracts	Translation differences	31 Dec 2020
Liabilities to credit institutions	771	–	-420	–	-71	280
Lease liability	14,129	–	-3,008	–	-514	10,607
Acquired lease liability on business combination	–	–	–	2,261	–	2,261
Acquired other liabilities on business combination	–	–	–	618	–	618
Total	**14,900**	**0**	**-3,428**	**2,879**	**-585**	**13,766**

Note 34 Adjustments for non-cash items

kSEK	31 Dec 2020	31 Dec 2019
Amortisation, depreciation and impairment	10,713	12,894
Total	**10,713**	**12,894**

Note 35 Business combinations

Hyperion Technologies B.V.

All shares in Hyperion Technologies B.V. were acquired on 10 November 2020. Hyperion Technologies, located in Delft, the Netherlands, specialises in high-performance subsystems for small satellites and is particularly known for its navigational systems for small satellites. The company was founded in 2013 and has built a global market presence with a broad customer base, including some of the world's largest space companies as well as institutions and universities. The acquisition supports a strong market position in subsystems through a complementary product line and important key technologies in line with AAC Clyde Space's future plans.

Details of the purchase consideration, the net assets acquired and goodwill are given below:

The following table summarises the preliminary consideration for Hyperion as well as the fair value of assets acquired and liabilities assumed as reported on the date of acquisition.

Consideration at 10 November 2020	
Cash and cash equivalents	1,017
Equity instruments	19,232
Additional purchase consideration	839
Total consideration paid	**21,088**

Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	396
Customer relationships	1,164
Brands	591
Technology	7,918
Tangible assets	241
Inventories	504
Accounts receivable	2,047
Contract assets	1,750
Tax assets	876
Other current receivables	160
Accounts payable	-334
Short-term loan	-627
Other current liabilities	-698
Deferred tax liability on additional assets	-2,418
Total identifiable net assets	**11,570**
Goodwill	**9,518**

Goodwill pertains to future customers, geographic expansion, synergies and employees in the acquired operations. No portion of the goodwill recognised is expected to be deductible for tax purposes.

Income and earnings contribution

Revenue from Hyperion included in the consolidated statement of comprehensive income from 1 November 2020 totalled kSEK 2,365. Hyperion also contributed earnings of kSEK 271 over the same period.

If the acquisition had been completed on 1 January 2020, the consolidated pro forma income and earnings on 31 December 2020 would have been kSEK 11,674 and earnings before depreciation/amortisation and impairment of tangible and intangible assets would have been kSEK 1,940. These amounts were calculated using the subsidiary's earnings with adjustments for:

- differences in accounting policies between the Group and the subsidiary, and
- the additional impairment that would have been made if the adjustment to fair value for tangible and intangible assets had applied from 1 January 2020, together with the applicable tax effects.

Acquisition-related expenses

Acquisition-related costs of kSEK 2,669 are expensed in other operating expenses in the consolidated statement of comprehensive income and in operating activities in the cash-flow statement.

Purchase consideration – cash outflow	**2020**
Cash flow to acquire subsidiary, net of cash and cash equivalents acquired	
Cash consideration	1,017
Less: Cash and cash equivalents acquired	-396
Net outflow of cash and cash equivalents – investing activities	**621**

The subsidiary Hyperion was acquired primarily through a non-cash issue, a transaction that does not entail payment and therefore does not affect cash flow.

Equity instruments

The acquisition was paid primarily through 7,755,000 newly issued ordinary shares.

Contingent purchase consideration

An additional purchase consideration of EUR 0.1 M (approximately SEK 1.1 M), based on positive net earnings from 1 January 2021 to 31 December 2021, will be paid in cash during the first quarter of 2022.

SpaceQuest Ltd.

All shares in SpaceQuest Ltd. were acquired on 30 December 2020. SpaceQuest is located in Fairfax, VA, USA and is a pioneer in the area of small satellites, having built and launched 20 small satellites. SpaceQuest also supplies satellite components to a variety of commercial space companies and institutions, such as NASA, the American Department of Defense and several universities. The company designed its first satellite 20 years ago. SpaceQuest currently operates a constellation of small satellites with demonstration payloads for several customers. Small satellites also collect Automatic Identification System (AIS) data, which is used in several maritime applications in a SaaS model.

Details of the purchase consideration, the net assets acquired and goodwill are given below:

The following table summarises the preliminary consideration for SpaceQuest as well as the fair value of assets acquired and liabilities assumed as reported on the date of acquisition.

Consideration at 30 December 2020	
Equity instruments	73,488
Additional purchase consideration	14,486
Total consideration paid	**87,973**

Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	366
Customer relationships	5,461
Brands	2,540
Technology	6,119
Tangible assets	12,473
Inventories	1,513
Accounts receivable	1,786
Other current assets	250
Deferred tax liabilities	3,832
Accounts payable and other liabilities	867
Total identifiable net assets	**25,809**
Goodwill	**62,164**

Goodwill pertains to future customers, geographic expansion and employees in the acquired operations. No portion of the goodwill recognised is expected to be deductible for tax purposes.

Income and earnings contribution

There were no income or earnings effects from the acquisition for 2020, since it was completed on 30 December 2020.

If the acquisition had been completed on 1 January 2020, the consolidated pro forma income and earnings on 31 December 2020 would have been kSEK 18,016 and earnings before depreciation/amortisation and impairment of tangible and intangible assets would have been kSEK 2,701. These amounts were calculated using the subsidiary's earnings with adjustments for:

- differences in accounting policies between the Group and the subsidiary, and
- the additional impairment that would have been made if the adjustment to fair value for tangible and intangible assets had applied from 1 January 2020, together with the applicable tax effects.

Acquisition-related expenses

Acquisition-related costs of kSEK 4,858 are expensed in other operating expenses in the consolidated statement of comprehensive income and in operating activities in the cash-flow statement.

Purchase consideration – cash outflow	**2020**
Cash flow to acquire subsidiary, net of cash and cash equivalents acquired	
Cash consideration	–
Less: Cash and cash equivalents acquired	366
Net outflow of cash and cash equivalents – investing activities	**366**

The subsidiary SpaceQuest was acquired primarily through a non-cash issue, a transaction that does not entail payment and therefore does not affect cash flow.

Equity instruments

The acquisition was paid through the new issue of 24,000,000 ordinary shares.

Contingent purchase consideration

An additional revenue-based purchase consideration of up to USD 0.9, 1.0 and 1.3 M for 2021, 2022 and 2023, respectively, is possible based on an annual growth of USD 3 M.

The additional purchase consideration for 2021 and 2022 will be paid with newly issued AAC Clyde Space shares. These new issues will amount to a maximum total value of USD 0.9 M and USD 1.0 M, respectively, and the number of shares issued is based on a USD rate of SEK 9.0 and a share price of SEK 3.50. On the allocation of the shares, fair value is based on the share price at that time. The maximum number of new shares that will be issued is limited to 2,314,285 and 2,571,428, respectively.

The additional purchase consideration for 2023 will be paid in cash.

A discount rate of 15% has been used when calculating goodwill for the cash additional purchase consideration for 2023.

Note 36 Significant events after the end of the reporting period

AAC Clyde Space's subsidiary Hyperion captured an order of EUR 0.15 M (approximately SEK 1.5 M) to carry out an in-orbit verification of CubeCAT, its space-based laser communication terminal. The terminal is designed for downlinking data at ultra-high speed, which substantially improves and facilitates data communication via small satellites. Today small satellites use radio communication with limited bandwidth and high power requirements, technology that greatly limits the ability to communicate the data collected from modern small satellites in orbit. Additionally, the process of acquiring a license to send and receive data on a dedicated radio frequency often takes one to two years. Laser communication has no space limitations and requires no license.

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY INCOME STATEMENT

kSEK	Note	Full-year 2020	Full-year 2019
Net sales	2	32,657	28,346
Work performed by the company for its own use and capitalised		1,856	702
Other operating income	3	942	1,151
TOTAL OPERATING INCOME		**35,455**	**30,199**
Raw materials and subcontractors		-13,604	-8,915
Personnel costs	6	-19,777	-19,590
Other external expenses	5	-12,594	-15,217
Other operating expenses	4	-1,128	-618
EBITDA		**-11,648**	**-14,141**
Depreciation/amortisation and impairment of tangible and intangible assets	9, 10	-3,441	-4,914
EBIT		**-15,089**	**-19,055**
Other interest income and similar profit/loss items	7	1,489	978
Interest expenses and similar profit/loss items	7	-787	-102
Impairment of shares in subsidiaries	7	-45,000	–
TOTAL PROFIT/LOSS FROM FINANCIAL ITEMS		**-44,298**	**876**
PROFIT/LOSS AFTER FINANCIAL ITEMS		**-59,387**	**-18,179**
Tax on profit/loss for the period	8	–	–
PROFIT/LOSS FOR THE PERIOD		**-59,387**	**-18,179**
Other comprehensive income:			
Items that may be transferred to profit or loss			
Exchange-rate differences		–	–
Other comprehensive income for the period		**0**	**0**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**-59,387**	**-18,179**

Earnings for the period were consistent with the total comprehensive income for the period.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

kSEK	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Intangible assets			
Capitalised expenditure for development	9	2,575	5,132
Patents	9	543	798
Total intangible assets		**3,118**	**5,930**
Tangible assets			
Plant and equipment	10	–	–
Inventories, tools and installations	10	–	–
Total tangible assets		**0**	**0**
Financial assets			
Participations in subsidiaries	11	441,416	324,592
Other long-term securities holdings		–	–
Receivables from Group companies	24	725	10,895
Total financial assets		**442,141**	**335,487**
Total non-current assets		**445,259**	**341,417**
Current assets			
Inventories	15	2,699	3,269
Current receivables			
Accounts receivable	14	186	6,607
Receivables from Group companies	14	3,800	92
Current tax assets		530	530
Contract assets	19	2,340	3,409
Other current receivables	16	871	237
Prepaid expenses and accrued income	17	4,047	5,297
Total current receivables		**11,774**	**16,172**
Cash and bank balances	13	51,239	50,153
Total current assets		**65,712**	**69,594**
TOTAL ASSETS		**510,971**	**411,012**

kSEK	Note	31 Dec 2020	31 Dec 2019
EQUITY AND LIABILITIES			
Restricted equity			
Share capital		4,928	3,848
Current new issue		87,973	–
Development expenditure reserve		1,010	3,568
Total restricted equity		**93,911**	**7,416**
Unrestricted equity			
Share premium reserve		681,291	594,757
Retained earnings		-218,528	-184,380
Profit/Loss for the year		-59,387	-18,179
Total unrestricted equity		**403,376**	**392,198**
Total equity		**497,287**	**399,614**
Non-current liabilities			
Liabilities to credit institutions	18	–	–
Total non-current liabilities		**0**	**0**
Current liabilities			
Accounts payable		3,129	3,564
Liabilities to credit institutions	18	–	–
Liabilities to Group companies		185	103
Other current liabilities		841	898
Contract liabilities	19	2,582	2,464
Accrued expenses and deferred income	20	6,947	4,369
Other current liabilities		**13,684**	**11,398**
TOTAL EQUITY AND LIABILITIES		**510,971**	**411,012**

PARENT COMPANY CHANGES IN EQUITY

	Restricted equity			Unrestricted equity			
kSEK	**Share capital**	**Development expenditure reserve**	**Current new issue**	**Share premium reserve**	**Retained earnings**	**Profit/loss for the year**	**Total equity**
Opening balance, 1 January 2019	**2,749**	**7,004**	**0**	**522,582**	**-187,817**	**0**	**344,518**
Profit/loss for the period	–	–	–	–	–	-18,179	**-18,179**
Other comprehensive income	–	–	–	–	–	–	**0**
Total comprehensive income	**0**	**0**	**0**	**0**	**0**	**-18,179**	**-18,179**
Transactions with shareholders							
Ongoing new issue	–	–	–	–	–	–	**0**
Rights issue	1,100	–	–	81,364	–	–	**82,464**
New issue supported by warrants	–	–	–	–	–	–	**0**
Non-cash issue (see Note 23)	–	–	–	–	–	–	**0**
Issue expenses	–	–	–	-9,189	–	–	**-9,189**
Development expenditure reserve	–	-3,436	–	–	3,436	–	**0**
Closing balance, 31 December 2019	**3,849**	**3,568**	**0**	**594,757**	**-202,560**	**0**	**399,614**
Opening balance, 1 January 2020	**3,849**	**3,568**	**0**	**594,757**	**-202,560**	**0**	**399,614**
Re-classified	–	–	–	19,535	-19,535	–	**0**
Profit/loss for the period	–	–	–	–	–	-59,387	**-59,387**
Other comprehensive income	–	–	–	–	–	–	**0**
Total comprehensive income	**0**	**0**	**0**	**0**	**0**	**-59,387**	**-59,387**
Transactions with shareholders							
Ongoing new issue	–	–	87,973	–	–	–	**87,973**
New issue	769	–	–	51,183	–	–	**51,952**
Non-cash issue (see Note 23)	310	–	–	19,342	–	–	**19,652**
Issue expenses	–	–	–	-2,754	–	–	**-2,754**
Warrant programme 2020/2023	–	–	–	236	–	–	**236**
Development expenditure reserve	–	-2,558	–	–	2,558	–	**0**
Closing balance, 31 December 2020	**4,928**	**1,010**	**87,973**	**682,299**	**-219,537**	**-59,387**	**497,286**

Equity is attributable in its entirety to Parent Company shareholders.

PARENT COMPANY'S STATEMENT OF CASH FLOWS

kSEK	2020	2019
Cash flow from operating activities		
EBIT	-15,089	-19,055
Adjustments for non-cash items (Note 26)	4,049	4,914
Interest received	1,489	978
Interest paid	-787	-102
Cash flow from operating activities before changes in working capital	**-10,338**	**-13,265**
Cash flow from changes in working capital		
Change in inventory	570	-1,160
Change in operating receivables	7,678	-1,276
Change in operating liabilities	1,266	136
Total changes in working capital	**9,514**	**-2,300**
Cash flow from operating activities	**-824**	**-15,565**
Cash flow from investing activities		
Investments in participations in Group companies	-1,020	-
Shareholders' contributions	-12,251	-28,264
Investments in tangible assets	-	-
Investments in intangible assets	-629	-520
Cash flow from investing activities	**-13,900**	**-28,784**
Cash flow from financing activities		
Changes in loans to Group companies	-25,858	9,994
Directed share issue	51,952	82,464
Issue expenses	-2,757	-9,189
Acquisitions	-7,527	0
Cash flow from financing activities	**15,810**	**83,269**
Decrease/increase in cash and cash equivalents		
Cash and cash equivalents at start of period	50,153	11,233
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**51,239**	**50,153**

NOTES TO THE PARENT COMPANY'S STATEMENTS

Note 1 The Parent Company's accounting policies

The principal accounting policies applied in the preparation of this Annual Report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The Annual Report for the Parent Company is prepared in accordance with RFR 2 Financial reports for legal entities and the Swedish Annual Accounts Act. Any accounting principles other than the Group's (as described in Note 2 of the consolidated financial statements) applied by the Parent Company are given below.

According to RFR 2, the Parent Company applies all of the IFRS and interpretations adopted by the EU to the greatest possible extent under the framework for the Swedish Annual Accounts Act, the Swedish Act on Safeguarding of Pension Commitments and with respect to the connection between accounting and taxation.

The Annual Report was prepared on a historical cost basis.

The preparation of financial statements in conformity with RFR 2 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Parent Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The Parent Company's operations are exposed to several financial risks such as market risk (currency risk and interest-rate risk), credit risk and liquidity risk. The Parent Company's overall risk management policy focuses on unpredictability in the financial markets and strives to minimise potentially unfavourable effects on the Group's financial earnings. For more information about financial risks, refer to Note 3 of the consolidated financial statements.

The Parent Company applies different accounting policies than the Group, which differ as follows:

Presentation format

The statement of profit or loss and statement of financial position follow the presentation format in the Swedish Annual Accounts Act. The statement of changes in equity also follows the Group's layout but includes columns given in the Annual Accounts Act. This entails differences in terminology compared with the consolidated financial statements, primarily regarding financial income and expenses as well as equity.

Participations in subsidiaries

Participations in subsidiaries are recognised at cost less any impairment. Cost includes acquisition-related expenses and any additional purchase considerations.

When there is an indication that participations in a subsidiary have declined in value, the recoverable amount is calculated. If this is lower than the carrying amount, an impairment loss is recognised. Impairments are recognised in "Results from participations in Group companies."

Financial instruments

The Parent Company does not apply IFRS 9 and financial instruments are measured at cost. In subsequent periods, financial assets that are acquired with the intent for short-term holding are recognised according to lowest of historical cost or market value. However, the Parent Company must apply the impairment rules in IFRS 9 and at each balance sheet date the Parent Company assesses whether there is any indication of impairment in any of the financial assets. The asset is impaired if the decline in value is deemed long-term. Impairment for interest-bearing financial assets recognised at amortised cost are calculated as the difference between the asset's carrying amount and the current value of company management's best estimate of the future cash flows discounted by the asset's original effective interest rate. The amount of impairment for other financial assets is determined as the difference between the carrying amount and the higher of the fair value less selling expenses or the current value of future cash flows (based on the best estimate from company management).

Leases

Accounting policies from 1 January 2019

The Parent Company has chosen not to apply IFRS 16 Leases and has instead applied RFR 2 (IFRS 16 Leases, pp. 2–12). This means that no right-of-use assets or lease liabilities are recognised in the balance sheet. Instead, lease payments are recognised as an expense on a straight-line basis over the term of the lease.

Appropriations

Group contributions are recognised as appropriations.

Note 2 Classification of revenue

kSEK	2020	2019
The Parent Company reported the following revenue amounts in the balance sheet:		
Satellite platforms	–	–
Subsystems	32,657	28,232
Licences	–	114
Total	**32,657**	**28,346**

kSEK	2020	2019
Change of earned value of ongoing projects per region		
Sweden	673	-1,114
Europe	-2,128	1,099
Rest of world	268	-430
Total	**-1,187**	**-445**

kSEK	2020	2019
Net sales per region:		
Sweden	6,647	11,772
Europe	8,020	3,642
Rest of world	19,177	13,377
Change in operating liabilities	-1,187	-445
Total	**32,657**	**28,346**

Note 3 Other operating income

kSEK	2020	2019
Exchange-rate differences	942	1,151
Total	**942**	**1,151**

Note 4 Other operating expenses

kSEK	2020	2019
Exchange-rate differences	1,128	618
Total	**1,128**	**618**

Note 5 Remuneration to auditors

kSEK	2020	2019
PricewaterhouseCoopers AB		
Audit assignment	871	963
Auditing services in addition to the assignment	419	807
Tax advice	20	40
Other services	251	–
Total	**1,561**	**1,810**
Other services presented in the statement of financial position *Acquisition costs	2,542*	–

kSEK	2020	2019
Alliotts		
Audit assignment	34	–
Auditing services in addition to the assignment	–	–
Tax advice	10	–
Other services	5	–
Total	**49**	**0**

Note 6 Remuneration to employees, etc.

kSEK	2020	2019
Salary and other benefits	12,786	13,421
Social security contributions	3,649	4,381
Pension costs – defined contribution plans	1,359	1,470
Total	**17,794**	**19,272**

Salary and other benefits, social security expenses

	2020 Salary and other benefits (of which bonus)	2020 Social security expenses (of which pension expenses)	2019 Salary and other benefits (of which bonus)	2019 Social security expenses (of which pension expenses)
Board members, the CEO and other senior executives	2,844 (100)	1,174 (329)	2,532 (0)	1,182 (380)
Other employees	11,017 (0)	4,066 (1,030)	11,663 (32)	4,858 (1,091)
Parent Company, total	**13,861 (100)**	**5,240 (1,359)**	**14,196 (32)**	**6,041 (1,471)**

	2020 Average No. of employees	2020 Of whom, men	2019 Average No. of employees	2019 Of whom, men
Parent Company, total	**24**	**19**	**24**	**20**

Gender distribution in the Parent Company for Board members and other senior executives

	2020 Number at the end of the reporting period	2020 Of whom, men	2019 Number at the end of the reporting period	2019 Of whom, men
Board members	5	4	5	4
CEO and other senior executives	2	2	2	2
Parent Company, total	**7**	**6**	**7**	**6**

Remuneration of senior executives

kSEK	2020	2019
Salaries and other short-term benefits	1,769	1,757
Pension expenses	329	380
Total remuneration of senior executives	**2,098**	**2,137**

Note 7 Interest income and expenses plus similar profit/loss items

kSEK	2020	2019
Interest income, Group companies	1,226	874
Interest income, external	96	73
Exchange-rate differences	166	–
Other financial income	–	31
Total interest income and similar profit/loss items	**1,488**	**978**
Interest expenses, Group companies	–	–
Interest expenses, external	–	-102
Exchange-rate differences	-698	–
Other financial expenses	-88	–
Impairment of shares in subsidiaries	-45,000	–
Total interest income and similar profit/loss items	**-45,786**	**-102**
Total earnings from financial items	**-44,298**	**876**

Note 8 Tax on earnings for the year

Recognised tax in the statement of profit or loss:

kSEK	2020	2019
Current tax:		
Current tax on earnings for the year	–	–
Adjustments for current tax of prior periods	–	–
Total current tax:	**0**	**0**
Deferred tax		
Origination and reversal of temporary differences	–	–
Effect of change in tax rate	–	–
Total deferred tax:	**0**	**0**
Total recognised tax:	**0**	**0**

The tax on the Group's earnings before tax differs from the theoretical amount that would arise using the tax rate applicable to earnings of the Parent Company as follows:

kSEK	2020	2019
Earnings before tax	**-59,386**	**-18,179**
Estimated income tax according to the tax rate in Sweden (21.4%)	-12,709	-3,890
Tax effects of:		
Tax effect of non-deductible expenses	4	30
Deductible issuing costs recognised in equity	-589	–
Tax losses for which no deferred income tax asset was recognised	13,294	3,860
Total recognised tax	**0**	**0**

Note 9 Intangible assets

kSEK	Patents	Capitalised expenditure for development	Total
At 1 January 2019			
Cost	4,033	27,341	**31,374**
Accumulated amortisation	-2,929	-18,303	**-21,232**
Carrying amount	**1,104**	**9,038**	**10,142**
2019 financial year			
Opening carrying amount	1,104	9,038	**10,142**
Purchases	–	519	**519**
Acquired through business combinations	–	–	**–**
Sales and disposals	–	–	**–**
Amortisation	-306	-4,426	**-4,732**
Impairment	–	–	**–**
Closing carrying amount	**798**	**5,131**	**5,929**
At 31 December 2019			
Cost	4,033	27,860	**31,893**
Accumulated amortisation and impairment	-3,235	-22,729	**-25,964**
Carrying amount	**798**	**5,131**	**5,929**
2020 financial year			
Opening carrying amount	798	5,131	**5,929**
Purchases	–	629	**629**
Acquired through business combinations	–	–	**–**
Sales and disposals	–	–	**–**
Amortisation	-255	-3,186	**-3,441**
Impairment	–	–	**–**
Closing carrying amount	**543**	**2,574**	**3,117**
At 31 December 2020			
Cost	4,033	28,489	**32,522**
Accumulated amortisation and impairment	-3,490	-25,915	**-29,405**
Carrying amount	**543**	**2,574**	**3,117**

Note 10 Tangible assets

kSEK	Plant and other technical equipment	Inventories	Total
At 1 January 2019			
Cost	1,437	2,087	**3,524**
Accumulated depreciation	-1,299	-2,043	**-3,342**
Carrying amount	**138**	**44**	**182**
2019 financial year			
Opening carrying amount	138	44	**182**
Purchases	–	–	**–**
Sales and disposals	–	–	**–**
Depreciation	-138	-44	**-182**
Impairment	–	–	
Closing carrying amount	**0**	**0**	**0**
At 31 December 2019			
Cost	1,437	2,087	**3,524**
Accumulated depreciation and impairment	-1,437	-2,087	**-3,524**
Carrying amount	**0**	**0**	**0**
2020 financial year			
Opening carrying amount	–	–	**–**
Purchases	–	–	**–**
Sales and disposals	–	–	**–**
Depreciation	–	–	**–**
Impairment	–	–	
Closing carrying amount	**0**	**0**	**0**
At 31 December 2020			
Cost	1,437	2,087	**3,524**
Accumulated depreciation and impairment	-1,437	-2,087	**-3,524**
Carrying amount	**0**	**0**	**0**

Note 11 Participations in subsidiaries

kSEK	31 Dec 2020	31 Dec 2019
Opening cost	**416,591**	**388,328**
Shareholders' contributions	45,000	28,263
Warrant programme 2020/2023	236	–
Acquisitions	116,588	–
Closing accumulated cost	**578,415**	**416,591**
Opening impairment	92,000	92,000
Impairment for the year	45,000	–
Closing accumulated impairment	**137,000**	**92,000**
Closing carrying amount	**441,415**	**324,592**

Holdings of participations in subsidiaries are as follows:	Corp. reg. no.	Registered office and place of business/ country of incorporation	No. of shares	Carrying amount 31 Dec 2020	Carrying amount 31 Dec 2019
Directly owned					
Clyde Space Ltd	SC285287	Glasgow, UK	5,211,644	321,684	321,448
Hyperion Space	58,607,013	Delft, the Netherlands	90	23,757	–
Space Quest	0436321-4	Fairfax, USA	2,000	92,831	–
Orbitum AB	556677-7086	Uppsala, Sweden	1,000	150	150
AAC Microtec UK Ltd	10 565 806	Didcot, Oxfordshire, UK	1	–	–
AAC Microtec North America, Inc.	45-3178866	California, USA	10,000	2,993	2,993
AAC Holding North America Inc.	46-0869153	California, USA	1	–	–

Note 12 Deferred tax

Deferred income tax assets are recognised for tax loss carry-forwards or other incentives to the extent that the realisation of the related tax benefit through future taxable profits is probable. No deferred tax asset was recognised since, according to the Parent Company, the criteria for reporting deferred tax assets in IAS 12 were not met.

Note 13 Cash and bank balances

The balance sheet and cash-flow statement include the following items in cash and bank balances

kSEK	31 Dec 2020	31 Dec 2019
Bank deposits	51,239	50,153
Total	**51,239**	**50,153**

Note 14 Accounts receivable

kSEK	31 Dec 2020	31 Dec 2019
Accounts receivable	186	6,607
Accounts receivable from Group companies	3,800	1,227
Less: provision for expected credit losses	–	–
Net accounts receivable	**3,986**	**7,834**

The maximum exposure to credit risk at the reporting date for accounts receivable are the above carrying amounts.

The fair value of accounts receivable equals their carrying amount, as the impact of discounting is not significant.

No accounts receivable have been pledged as security for any debts.

Historically, AAC Clyde Space has had low losses since customers are, to a great extent, public bodies or authorities, or otherwise major and well-known.

Thus no provisions have been made for expected credit losses.

Carrying amounts of the Parent Company's accounts receivable by currency

kSEK	31 Dec 2020	31 Dec 2019
SEK	3,800	6,338
EUR	186	–
GBP	–	–
USD	–	1,496
Total	**3,986**	**7,834**

Note 15 Inventories

kSEK	31 Dec 2020	31 Dec 2019
Raw materials	2,669	2,519
Goods in progress	29	750
Total	**2,698**	**3,269**

The cost of inventories recognised as an expense and included in "Raw materials and subcontractors" in the statement of profit or loss amounted to kSEK 1,165 in 2020 (2019: kSEK 932).

Note 16 Other current receivables

kSEK	31 Dec 2020	31 Dec 2019
Recoverable VAT	684	159
Other tax receivables	187	78
Total	**871**	**237**

Note 17 Prepaid expenses and accrued income

	31 Dec 2020	31 Dec 2019
Prepaid rent	603	601
Prepaid lease payments	7	6
Other prepaid expenses	688	572
Other accrued income	2,749	4,118
Total	**4,047**	**5,297**

Note 18 Borrowings

kSEK	31 Dec 2020	31 Dec 2019
Non-current		
Liabilities to credit institutions	–	–
Total	**0**	**0**
Current		
Liabilities to credit institutions	–	–
Total	**0**	**0**
Total borrowings	**0**	**0**

The company has no borrowings for the current period.

The Parent Company has the following undrawn borrowing facilities

kSEK	31 Dec 2020	31 Dec 2019
Variable interest rate		
– expires within one year	5,000	5,000

The facilities expiring within one year are annual facilities that run per calendar year with 12-month extensions.

Note 19 Assets and liabilities related to contracts with customers

The Parent Company has long-term contracts with certain customers for the development of products and services. These contracts can include a certain amount of hardware.

The Parent Company has recognised the following assets and liabilities related to contracts with customers

	31 Dec 2020	31 Dec 2019
Contract assets	2,340	3,409
Total contract assets	**2,340**	**3,409**
Contract liabilities	-2,582	-2,464
Total current contract liabilities	**-2,582**	**-2,464**

Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current financial year relates to contract liabilities.

	31 Dec 2020	31 Dec 2019
Revenue recognised that was included in the contract liability balance at the beginning of the period:	2,179	2,697

Long-term unfulfilled contracts outstanding

The aggregate amount of the transaction price attributable to contracts that are partially or fully unsatisfied at 31 December 2020 was kSEK 34,931.

Of these, the executive management team expects 77% to be fulfilled during the next year and the remaining 23% in another year (see table below).

Transaction price allocated to remaining performance commitments	**2021**	**2022–2024**	**Total**
Total expected income	26,929	8,002	34,931

Note 20 Accrued expenses and deferred income

kSEK	**31 Dec 2020**	**31 Dec 2019**
Accrued income	-	529
Accrued annual leave	1,764	1,569
Accrued social security contributions	554	493
Accrued salaries	205	42
Accrued payroll tax	330	352
Other external expenses	4,093	1,384
Total	**6,947**	**4,368**

Note 21 Operating leases

Non-cancellable operating leases

The Parent Company leases essentially all offices under non-cancellable operating lease agreements. The lease terms are between 1 and 3 years, and the majority of lease agreements are renewable at the end of the lease period at market rates.

Lease expenses of kSEK 2,422 are included in the statement of profit or loss for the 2020 financial year (2019: kSEK 2,485).

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

kSEK	2020	2019
Due within one year	2,359	2,502
Due between 1 and 5 years	3,515	5,874
Due in over 5 years	–	–
Total	**5,874**	**8,376**

Note 22 Pledged assets

kSEK	31 Dec 2020	31 Dec 2019
Chattel mortgages	5,200	11,700
Total	**5,200**	**11,700**

Note 23 Share capital

Refer to Note 24 for information on the Parent Company's share capital.

Note 24 Related-party transactions

Since 21 December 2016, AAC Clyde Space AB (publ)'s shares have been traded on Nasdaq First North Stockholm. In March 2019, the listing was moved to Nasdaq First North Premier Growth Market.

Goods are purchased and sold to related parties under ordinary commercial terms in accordance with the prevailing transfer price policy. Services are purchased at a cost price and are also regulated in the prevailing transfer price policy.

The following transactions occurred with related parties:

kSEK	2020	2019
a) Sales of goods and services		
Clyde Space Ltd	4,628	1,963
AAC Microtec NA Inc	–	–
AAC Microtec UK Ltd	–	–
Total	**4,628**	**1,963**
a) Purchases of goods and services		
Clyde Space Ltd	107	–
AAC Microtec NA Inc	224	2,027
AAC Microtec UK Ltd	–	–
Total	**331**	**2,027**

Receivables and liabilities at the end of the year due to sales and purchases of goods and services

kSEK	31 Dec 2020	31 Dec 2019
Receivables from related parties		
Clyde Space Ltd	3,800	1,228
AAC Microtec NA Inc	–	–
AAC Microtec UK Ltd	–	–
Total	**3,800**	**1,228**
Amounts due to related parties		
Clyde Space Ltd	82	–
AAC Microtec NA Inc	–	–
AAC Microtec UK Ltd	–	–
Total	**82**	**0**

Loans to related parties

kSEK	31 Dec 2020	31 Dec 2019
Loans to Clyde Space Ltd		
Beginning of the year	9,092	13,371
Loans raised during the year	21,000	16,995
Amount repaid	-30,000	-21,000
Interest income	1,181	812
Interest received	-1,273	-1,086
At 31 December	**0**	**9,092**

kSEK	31 Dec 2020	31 Dec 2019
Loans to AAC UK		
Beginning of the year	–	24
Loans raised during the year	–	1
Amount repaid	–	-25
Interest income	–	–
Interest received	–	–
At 31 December	**0**	**0**

kSEK	31 Dec 2020	31 Dec 2019
Loans to AAC Holding North America Inc.		
Beginning of the year	668	760
Loans raised during the year	245	1,977
Amount repaid	-188	-2,069
Interest income	46	–
Interest received	-46	–
At 31 December	**725**	**668**

Loans to subsidiaries are under commercial terms. The loan has a six-month notice period, no fixed term and an interest rate of 6%.

The Parent Company does not hold provisions against receivables from related parties, nor has it recognised any expenses during the period pertaining to receivables from related parties. No assets were pledged for the receivables.

Receivables from related parties in the above table arise mainly from sale transactions and are due one month after the date of sales.

The payables to related parties arise mainly from purchase transactions and are due one month after the date of purchase.

During the period, Board members invoiced the company kSEK 1,227 (2019: kSEK 1,041) at market rates for the performance of consultant services linked to the company's operations.

Note 25 Changes in liabilities from financing activities

kSEK	1 Jan 2019	Cash inflow	Cash outflow	31 Dec 2019
Liabilities to credit institutions	–	10,000	10,000	–
Total	**0**	**10,000**	**10,000**	**0**

kSEK	1 Jan 2020	Cash inflow	Cash outflow	31 Dec 2020
Liabilities to credit institutions	–	–	–	–
Total	**0**	**0**	**0**	**0**

The company had a short-term loan in 2019 that was repaid in full.

Note 26 Adjustments for non-cash items

kSEK	31 Dec 2020	31 Dec 2019
Depreciation	3,441	4,914
Warrants 2020/2023	608	–
Total	**4,049**	**4,914**

Note 27 Significant events after the end of the reporting period

AAC Clyde Space has been selected to supply the power system to the lunar lander mission led by the US company Intuitive Machines. An engineering model and flight models will be delivered to support the launch in 2021. The total order value is around SEK 5.4 M (USD 575,000).

Note 28 Proposed appropriation of profits

The following amounts are at the disposal of the AGM (SEK):

kSEK	2020
Share premium reserve	681,289,773
Retained earnings	-218,527,556
Profit/Loss for the year	-59,386,356
Total	**403,375,861**

The Board proposes that the retained earnings of SEK 404,385,861 be carried forward.

The consolidated statement of profit or loss and statement of financial position will be presented to the AGM on 27 May 2021 for adoption.

The Board and CEO ensure that the consolidated financial statements have been prepared in accordance with the international financial reporting standards (IFRS) adopted by the EU and that they faithfully represent the Group's financial position and performance. The Annual Report was prepared according to generally accepted accounting principles and faithfully represents the Parent Company's financial position and performance.

The administration reports for the Group and the Parent Company faithfully represent the development of the Parent Company's and Group's operations, financial position and performance, and describe the material risks and uncertainties faced by the Parent Company and the companies that form the Group.

Stockholm 6 May 2021

Rolf Hallencreutz
Chairman of the Board

Per Aniansson
Board Member

Per Danielsson
Board Member

William Whitehorn
Board Member

Anita Bernie
Board Member

Luis Gomes
CEO

Our auditors' statement was submitted 6 May 2021

Öhrlings PricewaterhouseCoopers AB

Lars Kylberg
Auditor in Charge

Andreas Mattsson
Public Accountant

AUDITOR'S REPORT

To the general meeting of the shareholders of AAC Clyde Space AB (publ), corporate identity number 556677-0599

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of AAC Clyde Space AB (publ) for the year 2020. The annual accounts and consolidated accounts of the company are included on pages 50-105 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the comprehensive income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our 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 opinions.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-49 and 108-116. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden 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 annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of AAC Clyde Space AB (publ) for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our 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 opinions.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group' equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company´s organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Uppsala 6 May 2021

Öhrlings PricewaterhouseCoopers AB

Lars Kylberg
Authorized Public Accountant
Partner in charge

Andreas Mattsson
Authorized Public Accountant

CORPORATE GOVERNANCE REPORT

AAC Clyde Space AB is a Swedish public limited liability company with corporate registration number 556677-0599 whose share is listed on the Nasdaq First North Premier Growth Market. The company's registered office is in Uppsala.

The goal of corporate governance is to ensure that the company is managed as efficiently as possible for shareholders and to ensure that AAC Clyde Space adheres to existing guidelines. Corporate governance also aims to create an orderly system for the Board as well as management. Through a clear structure, rules and processes, the Board can ensure that management and employees focus on developing the business to create value for shareholders.

Framework for corporate governance

Corporate governance is based on external governance instruments including the Swedish Companies Act, the Swedish Annual Accounts Act, Nasdaq First North Premier Growth Market Stockholm's regulations and the Swedish Corporate Governance Code as well as internal governance instruments such as the Articles of Association, instructions, policies and guidelines.

Applying the Swedish Corporate Governance Code

Since November 2018, AAC Clyde Space has adhered to the Swedish Corporate Governance Code and its principle of "comply or explain." AAC Clyde Space had no deviations to report in 2020.

The share and shareholders

There were 123,204,310 shares in issue at 31 December 2020. The number of shares increased to 147,204,310 through the acquisition of SpaceQuest in January 2021. All shares have equal right to the company's assets and profit.

Since 21 December 2016, the share has been traded on Nasdaq First North Stockholm, under the symbol AAC and, since March 2019, has been traded on the Nasdaq First North Premier Growth Market. Since 21 August 2020, AAC Clyde Space's share has also been traded on the American OTCQX market under the symbol ACCMF. Erik Penser Bank is AAC Clyde Space AB's Certified Adviser.

On 31 January 2021, the number of shareholders totalled 12,188. The single largest owner was the acquired company SpaceQuest's former owners with 24,000,000 shares corresponding to 16.3% of the capital and votes. The share register is maintained electronically by Euroclear Sweden AB.

More information about AAC Clyde Space's shares and shareholders are in the section The share on page [xx].

Articles of Association

The company's registered name pursuant to the Articles of Association is AAC Clyde Space AB (publ) and the financial year follows the calendar year from 1 January to 31 December. The full Articles of Association in their current form were adopted at the general meeting on 2 June 2020, refer to the company's website www.aac-clyde.space

General meeting

The company's decision-making body is the general meeting, where shareholders exercise their influence in the company. Shareholders who wish to participate in the general meeting, personally or via proxy, must be entered into the register five business days before the general meeting and submit an application in accordance with the notice.

Notice to attend the general meeting is issued through an announcement in Post- och Inrikes Tidningar (Official Swedish Gazette) and on the company's website (www.aac-clyde.space). An announcement of the publication of the notice is made in Dagens Industri.

The AGM is held within six months of the end of the financial year. At the AGM, shareholders resolve on, inter alia, the Board, auditors and discharging the Board and CEO from liability for the previous year. Decisions are also taken regarding certifying the annual report, appropriation of profits or handling loss and fees for the Board and auditors.

Shareholders have the right to have an issue addressed at the AGM, in which case they must submit it in writing to the Board. The issue will be taken up at the AGM if the request has been received by the Board no later than seven weeks ahead of the AGM.

2020 Annual General Meeting

The AGM was held in Uppsala on 2 June 2020. Votes represented at the meeting amounted to 21.3% of the votes in the company, of which 21.0% were postal votes. The Chairman of the Board, the company's auditor and the Chief Financial Officer were present. The AGM resolved in accordance with the Board's proposals:

- to adopt the statement of profit or loss and the statement of financial position
- to carry forward the year's loss
- to discharge the Board members and CEO from liability
- for fees to the Board and auditor
- to re-elect Board members Rolf Hallencreutz, Per Aniansson, Anita Bernie, Per Danielsson and William Whitehorn. Rolf Hallencreutz was also elected Chairman of the Board.
- for guidelines for remuneration of senior executives
- for the incentive scheme for employees and the Board
- to authorise the Board to issue shares.

Extraordinary General Meeting, 5 November 2020

An Extraordinary General Meeting was held in Uppsala on 5 November 2020. Votes represented at the meeting amounted to 51% of the votes in the company. The EGM resolved in accordance with the Board's proposals:

- for the new issue of shares as payment-in-kind for all of the shares outstanding in SpaceQuest Ltd
- for the new issue of shares as payment-in-kind for all of the shares outstanding in Hyperion Space B.V.

Nomination Committee

The meeting has decided that the Nomination Committee is to consist of representatives appointed by the four largest shareholders in terms of votes at 31 August and the Chairman of the Board. Should any of these shareholders choose not to appoint a member, their right falls to the next largest shareholder

in terms of votes. As long as the company has its registered office in Sweden, a majority (3/4) of the members of the Committee must also be residents in Sweden. The Committee chooses its Chairman.

If a member represents a shareholder who has sold the majority of their holdings and is no longer one of the four largest shareholders, the Committee can resolve that the member step down. If the Committee is not complete after the departure of a member and more than three months remains until the next AGM, the Committee is to offer representation to the next-largest shareholder in the company.

The Committee is to submit proposals for the Chairman and members of the Board as well as for fees to the Chairman and other Board members. If the company is electing an auditor, the Nomination Committee is to submit proposals for the auditor and auditor's fees.

The Committee will inform the company of its proposal in good time so that the information can be presented in the notice for the AGM. The Committee is also to provide a short report on how its work was conducted. The Committee is to continuously evaluate its instructions and its work, and to submit proposals to the AGM for changes it deems appropriate.

Ahead of the 2021 AGM, shareholders representing 6% of the votes formed a Nomination Committee consisting of:

- Anders Axelsson appointed by Biljon AB
- John Wardlaw appointed by Coralinn LLP
- Mathias Dittrich appointed by Soltorpet AB
- Rolf Hallencreutz, Chairman of the Board of AAC Clyde Space AB

The Committee's proposal to the 2021 AGM will be presented in conjunction with the notice of the AGM and made available on the company's website.

The Board

The Board's work

The Board's primary task is to manage the interests of the company and shareholders, appoint the CEO and ensure that the company follows the applicable laws and the Articles of Association. It is also incumbent on the Board to identify how sustainability issues impact the company's risks and business opportunities. The Board is responsible for ensuring that the Group has an appropriate structure so that the Board, in the best possible manner, can exercise its owner responsibility over the Group's subsidiaries and that the accounting, administration of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Board is to meet the company's auditor without the presence of company management at least once per year as well as continuously and at least once a year evaluate the work of the CEO.

The Board's composition

According to the Articles of Association, the Board of AAC Clyde Space is to consist of at least three and no more than seven members who are elected at the AGM for a term lasting until the next AGM.

The 2020 AGM decided that the number of members would be five and re-elected Rolf Hallencreutz as Chairman, as well as Per Aniansson, Anita Bernie, Per Danielsson and William Whitehorn. For information about the Board members' assignments outside the Group and their holdings in AAC Clyde Space, see pages [xx] and www.aac-clyde.space.

The Board's independence

According to the Swedish Corporate Governance Code, the majority of the Board members elected by the AGM must be independent in relation to the company and company management, and at least two must also be independent in relation to the company's largest shareholders.

Out of the five Board members, four are independent in relation to the company and company management, and five are independent in relation to the company's largest shareholders.

Board committees

Based on its size and composition, the Board has previously judged that the work of the Remuneration Committee and the Audit Committee are best performed by the Board in its entirety. The Remuneration and Audit Committees were established in January 2020.

Remuneration Committee

The work of the Committee has been carried out by Chairman of the Board Rolf Hallencreutz and Board member Will Whitehorn since January 2020.

The work is based on the instructions that are determined annually by the Board. They include submitting proposals for guidelines for remuneration to senior executives, submitting proposals to the Board for the CEO's salary and other employment terms, determining salaries and employment terms for other members of the management team and developing proposals for incentive schemes and other bonuses or similar compensation for employees. The CEO can present issues pertaining to the Committee's tasks but does not participate in establishing his own salary and employment terms.

At the AGM, the Board presents its proposals for guidelines for determining the salary and other remuneration for the CEO and other members of the company's management, which are to be approved by the shareholders.

For a further description of the employment terms for senior executives and remuneration to the Board, refer to the Administration Report.

Audit Committee

The work of the Committee is carried out by Chairman of the Board Rolf Hallencreutz and Board members Per Danielsson and Per Aniansson.

The work is based on the instructions that are determined annually by the Board and included in the Board's formal work plan. These include monitoring and ensuring the quality of the financial statements as well as the efficiency of the company's internal control systems and risk management.

The Committee meets the company's auditors, evaluates the audit, the auditors' independence and determines which additional services the company can receive from external auditors.

The Board's instructions and policies

The Board reviews and annually determines a formal work plan. The Board also determines the instructions for the CEO and the financial reporting. The formal work plan and instructions regulate, inter alia, the distribution of work among the Board, Board members, the CEO and auditor, quorum, conflicts of interest, internal and external reporting, notification procedures, meetings and the minutes.

The Board meets according to a schedule established each year. In addition to these Board meetings, additional Board meetings may be convened to address matters that cannot be referred to a scheduled Board meeting. In addition to the Board meetings, the Chairman and CEO maintain an ongoing dialogue regarding the administration of the company.

Instructions and policies

The Board reviews and annually determines the following instructions and policies:

- Formal work plan for the Board
- Instructions for the CEO
- Instructions for financial reporting
- Communication and IR policies
- Insider policy

Evaluation of the Board's work

The Board's work is evaluated annually in order to improve the Board's work forms and efficiency. The Chairman of the Board is responsible for the evaluation and for presenting it to the Nomination Committee. The evaluation is intended to capture the Board members' opinions about how the work of the Board is being conducted and which measures can be taken to streamline the work and whether the Board is well balanced in terms of skills.

The evaluation is an important support for the Nomination Committee ahead of the AGM. In 2020, the Chairman conducted the evaluation in writing through a questionnaire sent to all Board members. The results of the evaluation were reported and discussed by the Board and the Nomination Committee.

The Board's work

The Board's formal work plan states that the Board is to meet six times a year in addition to the statutory meeting and, in addition, when circumstances so require. The Board is to address the Group's strategic focus on risks and the business plan at one of these meetings.

The CEO and CFO and the Board's Secretary normally attend Board meetings. Other members participate as needed to present specific issues. The Board's formal work plan also states that the Board is to meet the company's auditor at least once each year without any member of management being present to evaluate the work of the Board and the CEO.

Board meetings normally start with discussion of the business status and the company's financial performance. Financial reports and the annual report are reviewed and approved prior to publication.

Other matters addressed at Board meetings include: general strategy issues, general business issues, potential acquisitions, long- and short-term goals, HR issues, regulatory and policy compliance, and remuneration models. At the last meeting of the year, the CEO and CFO normally present the budget for the coming year. The budget is discussed and following any adjustment is approved.

CEO and the Group management

The CEO is appointed by the Board and leads the business according to the Board's instructions and is responsible for the ongoing management of the company's and the Group's operations according to the Companies Act. The CEO also decides, together with Chairman of the Board, which issues will be addressed at Board meetings.

The Board continuously evaluates the CEO's assignments and work. The CEO is responsible for providing the Board with information and the necessary support for decisions and for presenting proposals at Board meetings regarding issues that are handled by company management. The CEO keeps the Board and the Chairman continuously informed about the company's and the Group's financial position and development.

At 31 December 2020, the Group management consisted of its Chief Executive Officer, Chief Financial Officer, VP Business Development, Chief Operating Officer, Chief Technology Officer and UK Head of Finance. For information about the CEO and other members of company management, see page [Xx].

The Group management meets regularly, normally every two weeks. The meetings are focused on the Group's strategic and operative development and on monitoring results. In addition to these meetings, there is close daily collaboration between senior executives.

Auditor

Auditors are appointed by the AGM to review the company's annual report and accounting as well as the work of the Board and the CEO. The auditors' reporting to the owners is presented to the AGM through the auditors' statement.

At the 2020 AGM, the registered public accounting firm Öhrlings PricewaterhouseCoopers AB was appointed auditor for the period until the 2021 AGM. The authorised public accountant Lars Kylberg is Auditor in Charge.

	Elected in	Meeting attendance	Audit Committee	Remuneration Committee	Independent in relation to the company and its management	Independent in relation to major shareholders	Total remuneration
The Board		20			4/5	5/5	SEK 900,000
Rolf Hallencreutz	2014	20	Yes	Yes	No	Yes	SEK 300,000
Per Aniansson	2014	20	Yes	No	Yes	Yes	SEK 150,000
Anita Bernie	2019	20	No	No	Yes	Yes	SEK 150,000
Per Danielsson	2014	20	Yes	No	Yes	Yes	SEK 150,000
William Whitehorn	2018	19	No	Yes	Yes	Yes	SEK 150,000

The Board's work in 2020

In 2020, the Board has devoted particular focus to issues pertaining to business strategy, financing and acquisitions. In 2020, the Board held 20 meetings, of which six were scheduled and 14 extra. The extra Board meetings primarily addressed decisions in conjunction with financing and acquisitions.

Chairman of the Board

The Chairman of the Board is elected at the AGM and the 2020 AGM re-elected Rolf Hallencreutz to the position. Rolf Hallencreutz has been Chairman since 2014.

The Chairman of the Board leads the Board in its work and ensures that the Board completes its assignments. The Chairman is also responsible for ensuring that the Board's work is organised and conducted efficiently as well as for monitoring business development. The Chairman of the Board ensures that the Board's decisions are effectively implemented and is responsible for annually evaluating the work of the Board and presenting the results of the evaluation to the Nomination Committee.

Financial reporting

The Board is responsible for ensuring that the company's organisation is designed so that the company's financial situation is controlled in a reassuring manner and that financial reports such as interim reports and the annual accounts to the market are presented in accordance with the law, applicable accounting standards and other requirements for listed companies. The Board monitors financial development, ensures the quality of the financial statements and the internal controls and regularly monitors and evaluates operations.

A report is prepared for the Group every month, which is submitted to the Board and company management. An income statement, balance sheet and investment budget for the financial year is typically prepared for adoption at the Board meeting in December. External financial information is presented regularly in the form of interim reports, annual reports and press releases with important news deemed relevant to the share price as well as presentations to and meetings with representatives of the financial market.

Internal controls and risk management regarding the financial reporting

Preface

The Board and CEO's responsibility for the internal controls is regulated in the Swedish Companies Act. The Board's responsibility is also regulated in the Swedish Corporate Governance Code. The Swedish Annual Accounts Act includes requirements for disclosures regarding the key elements of the company's internal control system and risk management in conjunction with financial reporting.

AAC Clyde Space's process for internal controls regarding financial reporting are designed so that the quality and accuracy of the statements are reasonably ensured. The process is to ensure that the statements are prepared in accordance with applicable laws and ordinances as well as requirements for listed companies in Sweden.

A robust control environment, reliable risk assessment, established control structures and activities in addition to well-functioning information, communication and review channels are necessary preconditions for accomplishing this.

Internal audits

The Board has evaluated the need for an internal audit function and concluded that one is not necessary for AAC Clyde Space with respect to the operations scope. Moreover, the Board's monitoring of the internal controls is deemed sufficient for ensuring that the internal controls are effective. The Board re-evaluates the need as changes arises that prompt re-evaluation and at least once per year.

Control environment

AAC Clyde Space's organisation is designed so that it can act dynamically in an emerging market, which is why operative decisions are taken by company management as well as on the company level. Decisions regarding strategy, direction, acquisitions and general financial issues are taken by AAC Clyde Space's Board and company management.

The Board's work with internal control encompasses internal controls related to financial reporting and to operations. Risk management is an integral part of the Board's work with internal control and its purpose is to ensure that operations are governed appropriately and effectively.

Control structures

The Board's formal work plan as well instructions for the CEO and the Board's respective committees ensure a clear delegation of roles and responsibilities.

The Board has overall responsibility for internal control.

The CEO is responsible for the system of procedures, processes and controls and develops them for operating activities. This includes, inter alia, guidelines and role descriptions for different executives and regular reporting to the Board based on established procedures.

Policies, processes, procedures, instructions and templates for financial reporting and the ongoing work of the financial administration and issues are documented.

Risk assessment

At least once per year a review is performed to identify and evaluate AAC Clyde Space's risk scenario. The work also includes assessing which preventative measures to take to reduce and prevent the Group's risks. This work includes ensuring that the Group is adequately insured and preparing support for decisions regarding any changes in policies, guidelines and insurance.

AAC Clyde Space's system for identifying, reporting and countering risks is an integral part of the ongoing reporting to the management team and the Board. It is also an important basis for assessing the risk of errors in the financial reporting.

As a part of the process, items are identified in the statement of profit or loss and statement of financial position that have an increased risk of material errors.

For AAC Clyde Space, the gradual income recognition of projects leads to risks in the financial reporting. Particular attention has therefore been given to designing controls to prevent and detect deficiencies in this area.

Control activities

The primary purpose of control activities is to prevent errors in the financial reporting, or to detect them at an early stage so they can be managed and corrected. There are overall control activities and also at more detailed levels, and they are both manual and automated in nature.

Access to IT systems is limited according to authorisation and rights.

The financial function assembles monthly financial statements where earnings and cash flow are reported and deviations from the budget are analysed and commented on. For major projects lasting for more than 12 months, the company establishes separate steering groups that analyse how the project is progressing in relation to its budget. The steering groups meet quarterly and as needed.

Follow up is conducted through regular meetings to review and analyse the financial statements with the management team and project steering groups. Significant fluctuations and deviations are thus reviewed, which minimises the risk of error in the financial statements.

There is an addition risk for errors in the financial statements in year-end and annual reports, since they are less repetitive in nature and contain more assessments. Important control activities include a well-functioning reporting structure where the Group's companies report according to a standardised framework and the specification and commentary on important items in profit and loss and balances.

Information and communication

AAC Clyde Space's information and communication paths aim to promote comprehensive and accurate financial statements presented in good time. This is achieved through making all relevant guidelines and instructions for internal processes available to all employees concerned. Regular updates and statements regarding changes in accounting rules/guidelines and requirements for reporting and disclosure are provided as needed.

Information operations are regulated by an information policy.

For external communications there are guidelines that ensure that the company adheres to the stringent requirements for accurate information to shareholders and the financial market. AAC Clyde Space's communication is to be accurate, open, and timely and conducted with all stakeholders simultaneously, in accordance with the regulations for Nasdaq First North Premier Growth Market. The financial information is to clearly and comprehensively represent the company, its operations and financial development.

The Board certifies annual reports, year-end reports and interim reports. All financial statements are published on the website (www.aac-clyde.space)) after they are first made official, according to the stock exchange's regulations. The Annual Report is available on the website.

Monitoring

The Board monitors the internal controls for financial reporting through, inter alia, reviewing the work and statements from the CFO and the external auditors. The work includes ensuring that measures are taken to address deficiencies and proposals for measures that were suggested in the external audit.

Monitoring is focused on how AAC Clyde Space adheres to its regulations and the existence of effective and appropriate processes for risk management, operations management and internal controls. The external auditor annually reviews select portions of the internal controls within the framework of the statutory audit. The auditor reports the outcome of their review to the Board and company management. Material observations are reported directly to the Board when necessary.

THE BOARD

According to the Articles of Association, the Board of AAC Clyde Space AB is to consist of no less than three and no more than seven members, with no more than three deputies.

The Board of AAC Clyde Space AB currently consists of five members, including the Chairman, who are all highly qualified individuals with solid entrepreneurial track records combined with skills in business and technological development, industrialisation and commercialisation. The current Board was appointed at the AGM on 2 June 2020 and their assignment lasts until the end of the next AGM on 27 May 2021.

All Board members can be reached via the company's registered office at Uppsala Science Park, Dag Hammarskjölds väg 48, SE-751 83 Uppsala, Sweden.

The Board's work is governed by the Swedish Companies Act, the Swedish Corporate Governance Code, the Articles of Association and the formal work plan developed by the Board of AAC Clyde Space AB. The company's formal work plan describes, inter alia, the delegation of responsibilities between the Board and the CEO.

The Board always takes decisions related to the appointment and remuneration of the CEO.

A total of 20 minuted meetings were held in 2020, where the Board discussed the company's future development, financial development, budget and funding. Operations in the company were also reviewed. The Board has devoted particular focus to issues pertaining to business strategy, financing and acquisitions.

Rolf Hallencreutz (1950)
Chairman of the Board since 2014

M. Sc. in Logistics and Finance, Chalmers University of Technology, Gothenburg

Shares: 262,864 (private and via companies)

Warrants 2020/2023:C: 64,000

Rolf Hallencreutz has experience from start-ups and major multinational companies within IT, industry, life-science and shipping. Rolf's track record includes acting as Chairman of the Board and CEO to Head of Sales for fast-growing companies ranges as well as broad experience of corporate transactions and financing.

Independent in relation to major shareholders.

Per Aniansson (1966)
Board member since 2014

M.Sc. Technical Physics, Chalmers University of Technology in Gothenburg and MBA, Finance and Entrepreneurship, INSEAD Business School in France

Shares: 150,000

Warrants 2020/2023:C: 32,000

Per Aniansson is currently CFO and Investment Director for Karolinksa Development, a public sector venture capital company, and has previously held leading roles within venture capital companies, most recently as Investment Director for state-owned Fouriertransform. He has also held roles as CEO and Head of Finance within several growth companies.

Independent in relation to the company and company management.

Per Danielsson (1962)
Board member since 2014

M.Sc. at Chalmers University of Technology

Shares: 34,100 (private and via company)

Warrants 2020/2023:C: 32,000

Per Danielsson, expert in evaluating EU applications, carries out assignments for the EU as a business coach for small businesses. His business experience encapsulates everything from organizational development, strategy, international business and financing, through to executing company sales to large global groups.

Independent in relation to the company, company management and to major shareholders.

William Whitehorn (1960)
Board member since 2018

Masters Degree in History, University of Aberdeen

Shares: 333,456 (via company)

Warrants 2020/2023:C: 32,000

Will Whitehorn was formerly a director of Virgin Group and President of Virgin Galactic until 2010. He has since pursued a private equity and non executive career. He is currently Chairman of Good Energy PLC, Scottish Event Campus Limited and Craneware PLC. He also sits on the board of the Royal Air Force and is President of UKSpace, the trade body that represents the space industry in the UK.

Independent in relation to the company, company management and to major shareholders.

Anita Bernie (1970)
Board member since 2019

Bachelor's degree in Aerospace Engineering and a Master of Business Administration.

Shares: 0

Warrants 2020/2023:C: 32,000

Anita Bernie has been working at KISPE Space Systems Limited as Strategic Business Manager since 2018. Prior to this, she worked at Surrey Satellite Technology Limited since 1997, lastly as a Director of Space Exporation and Director of Spacecraft Platforms. She is an Honorary Group Captain in the United Kingdom's Royal Air Force 601 Squadron.

Independent in relation to the company, company management and to major shareholders.

GROUP MANAGEMENT

Company management consists of a team of committed individuals bringing together experience in entrepreneurial leadership and extensive engineering expertise. The team has broad skills that cover the primary areas in the aerospace industry, from product development in commercial and military projects, and quality control to management of high-tech industrial companies. All members of company management can be reached via the company's registered office at Uppsala Science Park, Dag Hammarskjölds väg 48, SE-751 83 Uppsala, Sweden.

Luis Gomes (1971)
CEO

M.Sc. in satellite technology from the University of Surrey and a Bachelor of Science in Applied Physics from the University of Lisbon.

Employed since: 2019

Shares: 60,928

Warrants 2020/2023:B: 96,000

Luis Gomes has 25 years of experience in the space industry, and specializes in the small satellite field. He comes to the company most recently from the British firm SSTL, where he was CTO and Executive Director, responsible for defining and conducting technical and commercial strategies.

Mats Thideman (1963)
CFO and Deputy CEO

M.Sc., Industrial Economics, Linköping Institute of Technology.

Employed since: 2014

Shares: 82,000

Warrants 2020/2023:A: 64,000

Mats Thideman is responsible for finance, IT and staff. Mats has extensive experience as a CFO from growing industrial companies, as well as public and venture capital owners, such as Åkerströms, Image Systems (publ), TracTechnology (publ.), and most recently Cortus Energy AB (publ).

Andrew Strain (1981)
CTO

M.Eng. in Electrical and Electronic Engineering with Business Studies from the University of Strathclyde

Employed since: 2006

Shares: 381,971

Warrants 2020/2023:B: 64,000

In his role as Development Manager at Clyde Space, Andrew has over a decade of experience in developing and delivering small satellites. In his role as CTO, Andrew contributes a wide range of relevant skills such as systems engineering knowledge, product development, manufacturing, project management, quality and business development.

Peter Andersson (1982)
Group VP Business Development

B.Sc. Engineering from the University of Glasgow and Post Graduate Diploma in Computer Aided Engineering from the University of West Scotland

Employed since: 2015

Shares: 360

Warrants 2020/2023:B: 64,000

As VP of Business Development for AAC Clyde Space, Peter is responsible for the sales and marketing of the company's products and services, and for providing the business direction for the latest market growth areas as well as leading contract negotiations. In his previous role as Head of Business Development Mission & Services, Peter has contributed to the development of AAC Clyde Space's Space as a Service offering.

THE SHARE AND OWNERS

AAC Clyde Space AB's share is listed on the Nasdaq First North Premier Growth Market under the symbol AAC.

No. of shares

Share capital at the end of the year was SEK 4.9 M (3.8) across 123,204,310 shares (96,207,759). All shares carry equal rights to the company's profits and assets.

Following completion of the acquisition of the US firm SpaceQuest in January 2021, the number of shares amounted to 147,204,310.

Dividend policy

AAC Clyde Space AB is in an expansive growth phase where any surplus capital in operations is re-invested in operations and/or acquisitions. To date, the company has not distributed any dividends to its shareholders.

Trading in the AAC Clyde Space AB share

Since 21 December 2016, AAC Clyde Space AB's shares have been traded on Nasdaq First North Stockholm under the symbol AAC. In March 2019, the listing was moved to the Premier segment of First North. Since 21 August 2020, AAC Clyde Space's share has also been traded on the American OTCQX market under the symbol ACCMF. Erik Penser Bank AB is the company's Certified Adviser.

The share declined 38% in 2020, from SEK 5.16 one year earlier to SEK 3.22 on the last trading day. The share traded at SEK 5.06 at its highest and SEK 2.40 at its lowest. The market value at the end of the year was SEK 396 M, compared with SEK 496 M one year earlier.

A total of 257,481,093 AAC Clyde Space shares were traded during the year, representing 213% of the average number of shares and a daily average of approximately 1,021,750.

Ownership structure

At the end of the year, the ten largest owners controlled approximately 33% of the company's shares. The number of shareholders totalled 9,443.

SHAREHOLDERS 31 Dec 2020	NO. OF SHARES	VOTES & CAPITAL
UBS SWITZERLAND AG, W8IMY	8,444,698	6.85%
Försäkringsaktiebolaget Avanza Pension	7,100,092	5.76%
Euroclear Bank S.A/N.V, W8-IMY	4,800,788	3.90%
Nordnet Pensionsförsäkring AB	4,062,823	3.30%
KOCK, JOHN	3,344,105	2.71%
C INT VELD BEHEER B.V	2,585,000	2.10%
G.L.E MONNA BEHEER B.V	2,585,000	2.10%
S. ENGELEN BEHEER B.V	2,585,000	2.10%
PETERSEN JAN CHRISTER	2,569,710	2.09%
BNY MELLON NA (FORER MELLEON), W9	2,318,839	1.88%
Other	82,808,255	67.21%
TOTAL	**123,204,310**	**100.0%**

After the acquisition of the US firm SpaceQuest in January 2021, the ten largest owners controlled approximately 42% of the company's shares. The number of shareholders totalled 12,188. The largest owner is SpaceQuest's former owners, Dino and Lucille Lorenzini, with 24,000,000 shares.

SHAREHOLDERS 31 Jan 2021	NO. OF SHARES	VOTES & CAPITAL
CBNY-RJA-CLIENT ASSET ACCT*	24,000,000	16.30%
UBS SWITZERLAND AG, W8IMY	8,444,698	5.74%
Försäkringsaktiebolaget Avanza Pension	7,814,690	5.31%
Euroclear Bank S.A/N.V, W8-IMY	3,966,095	2.69%
Nordnet Pensionsförsäkring AB	3,928,614	2.67%
KOCK, JOHN	3,347,850	2.27%
PETERSEN JAN CHRISTER	2,769,710	1.88%
C INT VELD BEHEER B.V	2,585,000	1.76%
G.L.E MONNA BEHEER B.V	2,585,000	1.76%
S. ENGELEN BEHEER B.V	2,585,000	1.76%
Other	85,177,653	57.86%
TOTAL	**147,204,310**	**100.0%**

* Refers to SpaceQuest's previous owners

Incentive scheme

The Annual General Meeting of AAC Clyde Space in June 2020 resolved on the directed issue of warrants to the Board and to employees in Sweden and the UK. Each warrant entitles the holder to subscribe for one new share at the subscription price of SEK 4.26 per share. The warrants can be exercised to subscribe for shares during the period through 1 July 2023 until 31 December 2023:

As of 31 December 2020, Board members had subscribed for 192,000 warrants (incentive scheme 2020/2023:C)

As of 31 December 2020, employees in Sweden had subscribed for 472,000 warrants (incentive scheme 2020/2023:A)

As of 31 December 2020, employees in the UK had subscribed for 2,176,000 warrants (incentive scheme 2020/2023:B)

A total of 2,840,000 warrants have been subscribed for, which entails a potential dilution effect of around 2% and that AAC Clyde Space will potentially raise approximately SEK 12.1 M.