

AAC
CLYDE
SPACE

AAC Clyde Space AB (publ)

YEAR-END REPORT 2020

Fourth quarter, October–December 2020 (compared with October–December 2019)

- Net sales amounted to SEK 28.7 M (20.6). Hyperion, which was acquired in November, accounted for SEK 2.4 M of net sales
- Adjusted Earnings before interest, tax, depreciation, amortisation and impairment (EBITDA) amounted to SEK -1.6 M (-5.2), excluding acquisition costs of SEK 7.6 M and non-recurring personnel costs of SEK 1.8 M
- EBITDA totalled SEK -10.9 M (-5.2)
- Adjusted Earnings before interest and tax (EBIT) amounted to SEK -3.8 M (-8.4), excluding acquisition costs and non-recurring personnel costs
- EBIT totalled SEK -13.2 M (-8.4)
- The loss after tax was SEK -13.4 M (-8.4). Hyperion, which was acquired in November, contributed a profit of SEK 0.3 M to earnings after tax
- Basic and diluted earnings per share amounted to SEK -0.11 (-0.09)
- Cash flow from operating activities totalled SEK -11.7 M (-0.6)
- The order backlog amounted to SEK 156 M (169)

Full-year 2020 (compared with full-year 2019)

- Net sales amounted to SEK 98.4 M (66.4)
- Adjusted Earnings before interest, tax, depreciation, amortisation and impairment (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)
- Adjusted Earnings before interest and tax (EBIT) amounted to SEK -28.1 M (-40.2), excluding acquisition costs and non-recurring personnel costs
- EBIT totalled SEK -37.5 M (-40.2)
- The loss after tax was SEK -38.3 M (-40.6)
- Basic and diluted earnings per share amounted to SEK -0.37 (-0.48)
- Cash flow from operating activities totalled SEK -14.5 M (-15.7)

Significant events in the fourth quarter of 2020

- AAC Clyde Space embarked on 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)
- AAC Clyde Space acquired 100% of the shares in Hyperion Technologies BV, based in the Netherlands, on 10 November 2020. The company was consolidated into the financial reporting from 1 November 2020
- AAC Clyde Space acquired 100% of the shares in the US firm SpaceQuest Ltd on 30 December 2020. The company was consolidated into the financial reporting from 31 December 2020
- AAC Clyde Space carried out a directed share issue of SEK 52 M
- The British Space Forge tasked AAC Clyde Space with designing a satellite platform that will take advantage of the space environment for production in-orbit. The order value is GBP 0.1 M (approximately SEK 1.3 M)

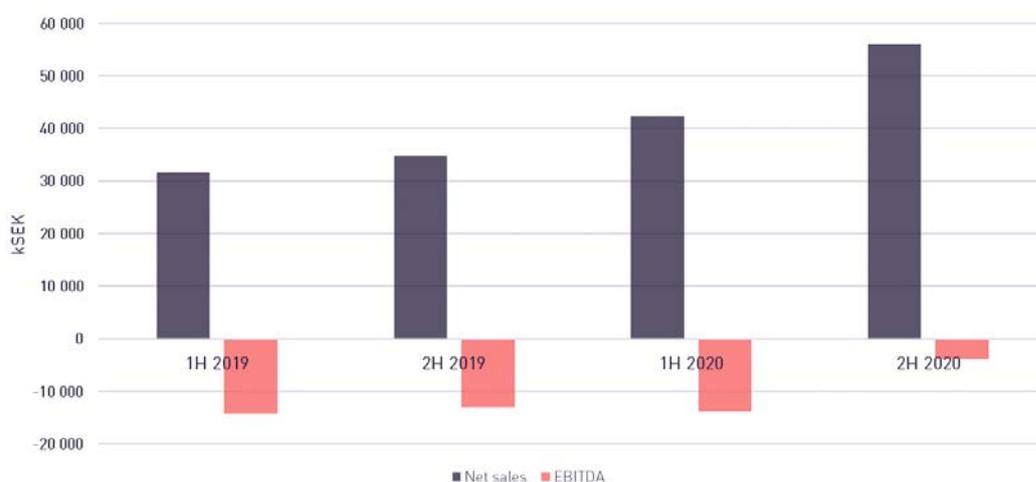
Significant events after the end of the reporting period

- AAC Clyde Space AB (publ) ("AAC")'s subsidiary Hyperion captured an order to carry out an in-orbit verification of CubeCAT, its space-based laser communication terminal. The terminal will substantially improve and facilitate data communication via small satellites

Financial overview – Group

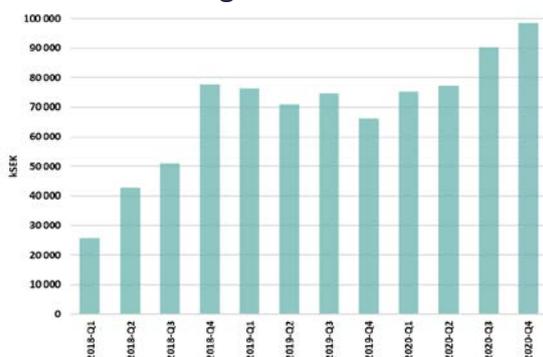
kSEK	Oct–Dec 2020	Oct–Dec 2019	full-year 2020	full-year 2019
Net sales	28 667	20 579	98 384	66 435
EBITDA	-10 913	-5 217	-26 819	-27 297
EBIT	-13 165	-8 381	-37 532	-40 191
Basic and diluted earnings per share, SEK	-0,11	-0,09	-0,37	-0,48
Equity ratio	88%	85%	88%	85%
Cash flow from operating activities	-11 703	-566	-14 464	-15 706
Cash flow for the period	31 373	-7 180	10 771	40 064
Cash and cash equivalents	62 434	52 380	62 434	52 380
Order backlog	156 317	169 212	156 317	169 212

Net sales and EBITDA broken down by six-month period*

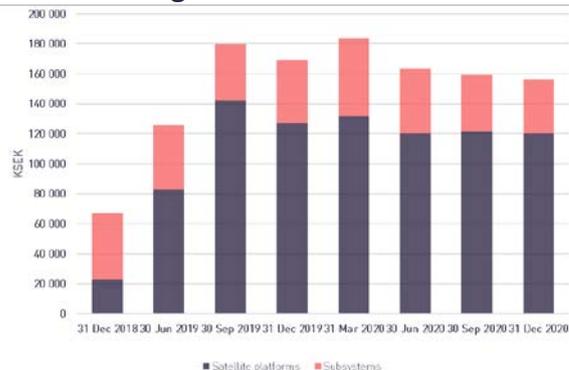


*Adjusted acquisition costs and non-recurring personnel costs

Net sales – Rolling 12 months



Order backlog





Comments from the CEO

This final quarter of 2020 closes a very exciting year for AAC Clyde Space. We achieved nearly 50% organic growth and late in the fourth quarter we closed the acquisitions of Hyperion and SpaceQuest. All of this was completed despite widespread Covid-19 restriction and a financial down-turn. Lockdowns from the early part of 2020 changed the parameters of our operation and we went to work largely remotely. We had to completely reconfigure our cleanrooms to ensure the health and safety of our colleagues; but we adapted and focused on successfully building space hardware and satellite missions. The momentum has carried on in the first few weeks of 2021 and we are set for a very exciting year.

At year end we had clean rooms in full production, with eight satellites at different stages of manufacture; two more satellites in orbit and plenty of exciting new activities for the year ahead. Despite the economic downturn in the world economy, 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 built a large and promising sales pipe-line. We foresee very strong growth for 2021 and onwards.

Our financials for the quarter and the year show substantial progress, with our yearly revenue growing more than 48%. Our EBITDA exclusive of acquisition cost developed strongly in the second half 2020 and improved by 36% for the full year compared to 2019.

In 2020 we took big strides in meeting our strategic objectives of building a world-leading small satellite group. We expanded our product line with the acquisition of Hyperion Technologies, and made a decisive entry into the US market with the acquisition of SpaceQuest. These are two moves important in meeting our strategic goals.

During 2021 we will continue to focus on rapid growth and improved financial results. We are expanding our technical capabilities, our service offerings to customers and improving our delivery. Hyperion has brought products and subsystems that will improve our missions, and it also introduces laser communications to the range of AAC's capabilities, a key technology for our future service provision.

The xSPANCION contract that we signed with ESA in November, supported by the UK Space Agency, underpins the expansion of our space as a service offering for the next two years. This allied with the new capabilities that we acquired in SpaceQuest – a constellation of satellites and a network of ground stations – will enhance and accelerate our ability to deliver services to our customers, at a time when we see a fast-growing demand for space based data and services.

As we look forward to a busy year ahead, with many launches, many critical deliveries, and the start of service of our new AIS satellites. We are aiming for very strong organic growth in parallel with some potential strategic acquisition. The combination of this strong organic growth and select acquisitions means we are now on a target to bring the group sales to 500 M SEK by 2024.

2020 was a challenging and very different year for all of us. I would like to take this opportunity to congratulate our staff for all their dedicated support and thanks to all our customers and suppliers for your support. Lastly thanks to all our shareholders for their backing - it is a group that has grown from 6,000 to more than 12,000 over the last year.

Luis Gomes
CEO

FINANCIAL OVERVIEW

Fourth quarter 2020

Sales and earnings

The acquisition of Hyperion was completed on 10 November 2020 and the company was consolidated into the financial reporting from 1 November 2020. The acquisition of SpaceQuest was completed on 30 December 2020 and the company will be consolidated into the financial reporting from 31 December 2020.

The order backlog, including the acquired companies Hyperion and SpaceQuest, amounted to SEK 156 M at the end of the fourth quarter.

Net sales increased 39% to SEK 28.7 M (20.6), primarily due to increased sales of satellite platforms. Sales of satellite platforms increased 116% and comprised 56% (37) of total sales, with the remainder pertaining to sales of subsystems. Total revenue amounted to SEK 34.2 M (24.0).

Adjusted EBITDA amounted to SEK -1.6 M (-5.2), after excluding acquisition costs of SEK 7.6 M related to the acquisitions of SpaceQuest and Hyperion and non-recurring personnel costs of SEK 1.8 M. EBITDA totalled SEK -10.9 M (-5.2). EBIT totalled SEK -13.1 M (-8.4) and the loss after tax was SEK -13.4 M (-8.4).

Full-year 2020

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 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). EBIT totalled SEK -37.5 M (-40.2) and the loss after tax was SEK -38.3 M (-40.6).

Investments and financial position

The Group's investments in non-current assets amounted to SEK 20.3 M (14.0), of which SEK 19.3 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.

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).

Personnel and organisation

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

Parent Company

Parent Company net sales for the period 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 and after impairment SEK -59.4 M (-18.2). The impairment amount equals the shareholders' contribution that was made from the Parent Company to Clyde Space Ltd in December 2020. Investments in non-current assets amounted to SEK 0.6 M (0.6). The equity ratio amounted to 97% (97).

Dividend

The Board of Directors proposes to the Annual General Meeting that no dividend should be distributed for the 2020 financial year.

2021 Annual General Meeting

The Annual General Meeting will be held in Uppsala at 1:00 p.m. on 27 May 2021. Notice convening the meeting will be sent not later than 30 April 2021.

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. A table with the largest shareholders is shown on page 13 in this report.

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.

Related-party transactions

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

Significant events after the end of the reporting period

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.

Significant risks and uncertainties

An account of the Group's material financial and business risks can be found in the administration report and under Note 3 in the 2019 Annual Report. 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.

Reporting calendar

Annual Report 2020	6 May 2021
Interim Report Jan–Mar 2021	27 May 2021
Annual General Meeting 2021	27 May 2021
Interim Report Jan–Jun 2021	26 Aug 2021
Interim Report Jan–Sep 2021	25 Nov 2021

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

Certification

The Board of Directors and CEO give their assurance that the report for the period January–December 2020 provides a true and fair account of the Parent Company's and Group's operations, financial position and results, and that it describes the material risks and uncertainties faced by the Parent Company and the companies that form the Group.

Uppsala, 18 February 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

Questions may be directed to:

CEO Luis Gomes, investor@aac-clydespace.com

CFO Mats Thideman, investor@aac-clydespace.com, mobile +46 (0)70-556 09 73

This report has not been audited.

About AAC Clyde Space

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

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

AAC Clyde Space's share has been admitted to trading on Nasdaq First North Growth Market. Erik Penser Bank AB, e-mail certifiedadviser@penser.se, telephone +46 (0)8-463 83 00, is the company's Certified Adviser. The share is also traded in the US on the OTCQX market under the symbol ACCMF.

FINANCIAL STATEMENTS

Condensed consolidated statement of comprehensive income

kSEK	Oct–Dec 2020	Oct–Dec 2019	full-year 2020	full-year 2019
Net sales	28 667	20 579	98 384	66 435
Work performed by the company for its own use and c	1 339	839	8 334	2 975
Other operating income	4 271	2 567	12 732	11 172
TOTAL	34 277	23 985	119 450	80 582
Raw materials and subcontractors	-12 752	-7 523	-50 262	-27 442
Personnel costs	-18 248	-13 970	-61 146	-51 791
Other external expenses	-4 785	-6 118	-19 504	-23 653
Other operating expenses	-9 405	-1 591	-15 357	-4 993
EBITDA	-10 913	-5 217	-26 819	-27 297
Depreciation/amortisation and impairment of tangible and intangible assets	-2 252	-3 164	-10 713	-12 894
EBIT	-13 165	-8 381	-37 532	-40 191
Financial income	88	29	262	103
Financial expenses	-411	-198	-1 536	-947
Net financial items	-323	-169	-1 274	-844
Income tax	77	178	511	473
PROFIT/LOSS FOR THE PERIOD	-13 411	-8 372	-38 295	-40 562
Other comprehensive income: <i>Items that may be transferred to profit or loss</i>				
Exchange-rate differences	-10 932	3 646	-27 093	21 345
Other comprehensive income for the period	-10 932	3 646	-27 093	21 345
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-24 343	-4 726	-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	Oct–Dec 2020	Oct–Dec 2019	full-year 2020	full-year 2019
Average no. of shares – basic	120 619 310	96 207 759	102 310 647	84 754 455
No. of shares at end of period	123 204 310	96 207 759	123 204 310	96 207 759
Average no. of shares – diluted	120 619 310	96 265 270	102 310 647	96 207 759
Basic and diluted earnings per share	-0,11	-0,09	-0,37	-0,48

Condensed consolidated statement of financial position

kSEK	31 Dec 2020	31 Dec 2019
ASSETS		
Non-current assets		
Intangible assets	494 251	418 646
Tangible assets	28 715	18 262
Financial assets	110	0
Total non-current assets	523 076	436 908
Current assets		
Inventories	12 848	13 108
Accounts receivable	9 459	17 743
Other receivables	28 434	25 247
Cash and cash equivalents	62 434	52 380
Total current assets	113 175	108 478
TOTAL ASSETS	636 251	545 386
EQUITY AND LIABILITIES		
Equity attributable to Parent Company shareholders	557 770	466 095
Non-current liabilities		
Liabilities to credit institutions	280	771
Lease liabilities	9 266	11 253
Deferred tax liabilities	9 277	3 911
Total non-current liabilities	18 823	15 935
Current liabilities		
Accounts payable	15 502	9 763
Other liabilities	44 156	53 593
Other current liabilities	59 658	63 356
TOTAL EQUITY AND LIABILITIES	636 251	545 386

Condensed consolidated statement of 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	0	542 116	6 945	-139 754	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	-180 316	466 095
Opening balance, 1 January 2020	3 849	0	614 291	28 270	-180 316	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	-218 611	557 770

Equity is attributable in its entirety to Parent Company shareholders.

Condensed consolidated statement of cash flows

kSEK	Oct–Dec 2020	Oct–Dec 2019	full year 2020	full-year 2019
Cash flow from operating activities before changes in working capital	-11 247	-6 270	-28 113	-28 153
Total changes in working capital	-456	5 704	13 649	12 447
Cash flow from operating activities	-11 703	-566	-14 464	-15 706
Cash flow from investing activities	-5 014	-5 197	-20 287	-13 936
Cash flow from financing activities	48 090	-1 417	45 522	69 706
CASH FLOW FOR THE PERIOD	31 373	-7 180	10 771	40 064
Cash and cash equivalents at start of period	31 499	59 551	52 381	12 237
Exchange-rate differences in cash and cash equivalents	-438	9	-718	80
CASH AND CASH EQUIVALENTS AT END OF PERIOD	62 434	52 380	62 434	52 381

Condensed Parent Company income statement

kSEK	Oct–Dec 2020	Oct–Dec 2019	full-year 2020	full-year 2019
Net sales	8 980	9 852	32 657	28 346
Work performed by the company for its own use and c	131	182	1 856	702
Other operating income	120	52	942	1 151
Total operating income	9 231	10 086	35 455	30 199
Raw materials and subcontractors	-1 938	-2 565	-13 604	-8 915
Personnel costs	-6 104	-4 971	-19 777	-19 590
Other external expenses	-3 274	-3 614	-12 594	-15 217
Other operating expenses	-318	-92	-1 128	-618
EBITDA	-2 403	-1 156	-11 648	-14 141
Depreciation/amortisation and impairment of tangible and intangible assets	-247	-1 221	-3 441	-4 914
EBIT	-2 650	-2 377	-15 089	-19 055
Other interest income and similar profit/loss items	405	163	1 489	978
Interest expenses and similar profit/loss items	-251	-	-787	-102
Impairment of shares in subsidiaries	-45 000	-	-45 000	-
Total earnings from financial items	-44 846	163	-44 298	876
PROFIT AFTER FINANCIAL ITEMS	-47 496	-2 214	-59 387	-18 179
Tax on profit/loss for the period	-	-	-	-
Profit/loss for the period	-47 496	-2 214	-59 387	-18 179

In the Parent Company, no items are recognised in other comprehensive income and, therefore, total comprehensive income and, therefore, total comprehensive income for the period was consistent with earnings for the period.

Condensed Parent Company balance sheet

kSEK	31 Dec 2020	31 Dec 2019
ASSETS		
Non-current assets		
Intangible assets	3 118	5 930
Tangible assets	-	-
Receivables from Group companies	725	10 895
Financial assets	441 416	324 592
Total non-current assets	445 259	341 417
Current assets		
Inventories	2 699	3 269
Accounts receivable	186	6 607
Receivables from Group companies	3 800	92
Other receivables	7 788	9 474
Cash and bank balances	51 239	50 153
Total current assets	65 712	69 595
TOTAL ASSETS	510 971	411 012
EQUITY AND LIABILITIES		
Equity		
Restricted equity	93 911	7 417
Unrestricted equity	403 376	392 197
Total equity	497 287	399 614
Non-current liabilities		
Other liabilities to credit institutions	-	-
Total non-current liabilities	0	0
Current liabilities		
Accounts payable	3 129	3 564
Liabilities to Group companies	185	103
Other liabilities	10 370	7 731
Other current liabilities	13 684	11 398
TOTAL EQUITY AND LIABILITIES	510 971	411 012

Shareholders as of 31 December 2020

SHAREHOLDERS	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%

Shareholders as of 31 January 2021*

SHAREHOLDERS	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%

* After the acquisition of SpaceQuest Ltd.

** Refers to SpaceQuest's previous owners

NOTES

Note 1 General information

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

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

Note 2 Summary of significant accounting policies

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

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

The accounting policies applied agree with those described in the AAC Clyde Space Group's Annual Report for 2019.

Note 3 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, 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

	Oct–Dec 2020	Oct–Dec 2019	Jan–Dec 2020	Jan–Dec 2019
AAC Clyde Space	-13,285*	-1,960	-21,602*	-13,667
Clyde Space	1,960	-3,257	-5,629	-13,630
Hyperion	412	–	412	–
Total EBITDA	-10,913	-5,217	-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.

	Oct–Dec 2020	Oct–Dec 2019	Jan–Dec 2020	Jan–Dec 2019
Total EBITDA	-10,913	-5,217	-26,819	-27,297
Net financial items	-323	-169	-1,274	-844
Depreciation and amortisation of tangible and intangible assets	-2,252	-3,164	-10,713	-12,894
Earnings before tax	-13,488	-8,550	-38,806	-41,035

Note 4 Net sales

Income

Sales between segments are carried out at arm's length. Since income from external parties is reported to the strategic steering 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.

October–December 2020

	Clyde Space	AAC Clyde Space	Hyperion	Other	Total
Income by segment	21,373	5,252	2,365	–	28,990
Income from other segments	-112	-211	–	–	-323
Income from external customers	21,261	5,041	2,365	0	28,667
Satellite platforms	15,762	411	–	–	16,173
Subsystems	5,499	4,630	2,365	–	12,494
Licenses/Royalties	–	–	–	–	–
Total	21,261	5,041	2,365	0	28,667

October–December 2019

	Clyde Space	AAC Clyde Space	Hyperion	Other	Total
Income by segment	12,073	9,852	–	–	21,925
Income from other segments	-3	-1,343	–	–	-1,346
Income from external customers	12,070	8,509	0	0	20,579
Satellite platforms	7,632	–	–	–	7,632
Subsystems	4,438	8,509	–	–	12,947
Licenses/Royalties	–	–	–	–	–
Total	12,070	8,509	0	0	20,579

January–December 2020

	Clyde Space	AAC Clyde Space	Hyperion	Other	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	0	98,384
Satellite platforms	54,283	411	–	–	54,694
Subsystems	13,707	27,618	2,365	–	43,690
Licenses/Royalties	–	–	–	–	–
Total	67,990	28,029	2,365	0	98,384

January–December 2019

	Clyde Space	AAC Clyde Space	Hyperion	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	0	66,435
Satellite platforms	20,403	–	–	–	20,403
Subsystems	19,649	26,269	–	–	45,918
Licenses/Royalties	–	114	–	–	114
Total	40,052	26,283	0	0	66,435

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

As of 31 December 2020, there were financial liabilities measured at fair value. At 31 December 2020, the fair value for foreign currency forwards amounted to kSEK -88 (0) and was recognised in other current liabilities in the balance sheet, and changes in value were recognised in other operating expenses in the statement of comprehensive income. Fair values for foreign currency forwards are found in Level 2 of the fair value hierarchy.

Definitions of the levels in the fair value hierarchy:

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

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

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

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

Note 6 Related-party transactions

During the period, four Board members have invoiced the company kSEK 1,226 (1,041) at market rates for the performance of consultant services linked to the company's operations. The services were primarily performed by the Chairman of the Board.

Note 7 Financial key performance indicators

Definitions of key performance indicators

Equity ratio, %	Equity divided by total assets
EBITDA	Operating profit/loss before depreciation/amortisation of tangible and intangible assets
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
Gross margin	(Net sales less Raw materials and subcontractors) in relation to Net sales

Note 8 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
Contingent 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
Current tax assets	876
Other current liabilities	160
Accounts payable	-334
Short term loan	-627
Other short term debts	-698
Deferred tax liabilities	-2,418
Total identifiable net assets	11,570

Goodwill	9,518
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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 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
Contingent 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	2,551
Technology	6,119
Tangible assets	12,473
Inventories	1,513
Accounts receivable	1,786
Other current assets	250
Deferred tax liabilities	-3,813
Accounts payable and other liabilities	-867
Total identifiable net assets	25,829

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	0
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 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. The maximum number of new shares that will be issued is limited to 2,314,285 and 2,571,428, respectively. The fair value of the issued shares will be continuously based on the current share price.

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.