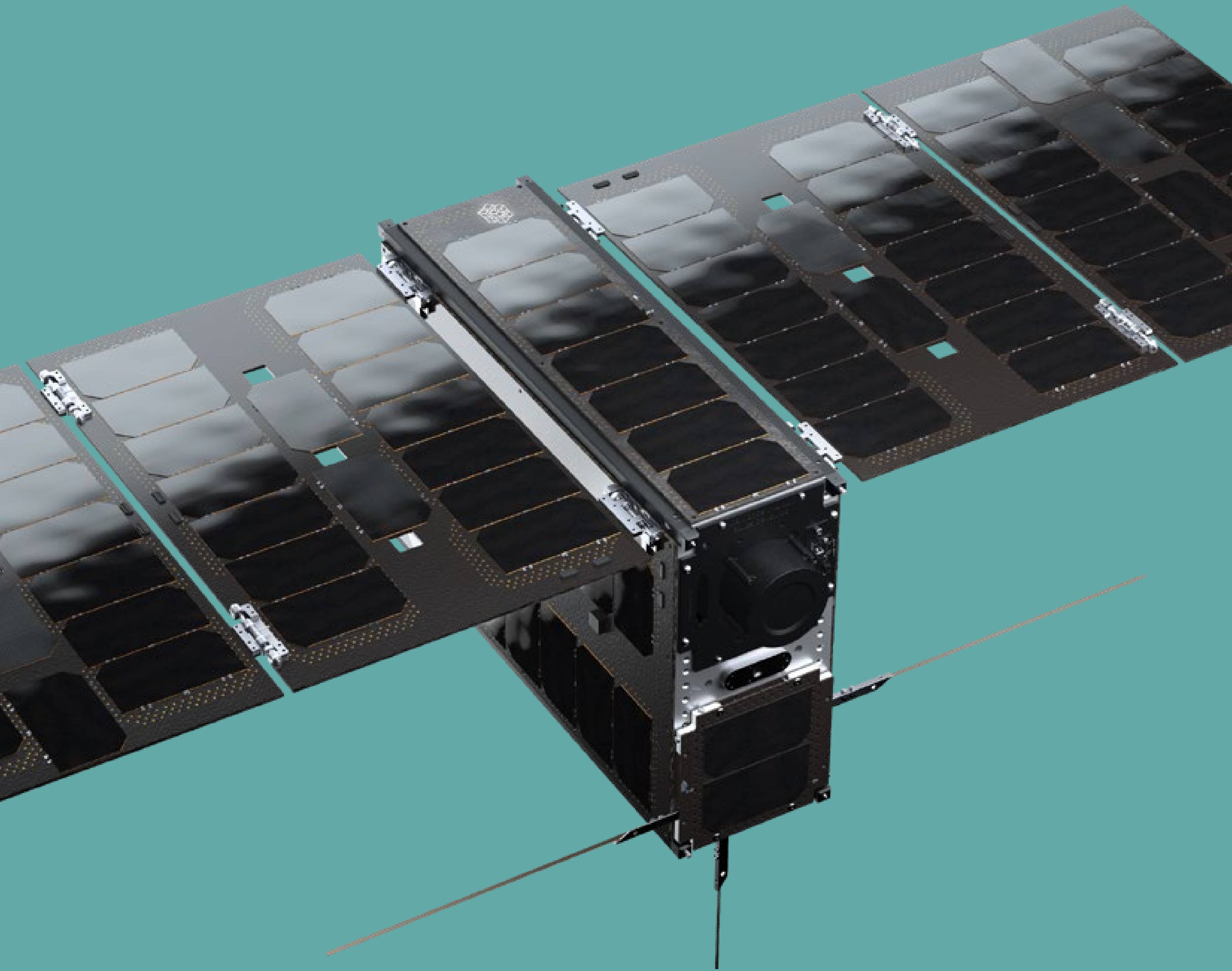
ANNUAL REPORT 2019



AAC CLYDE SPACE

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 versions the Swedish version should prevail since it has been subject to audit.

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Annual General Meeting
The Annual General Meeting (AGM) for AAC Clyde Space AB (publ) will be held on Tuesday 2 June at 1 p.m. at AAC Clyde Space's premises, Dag Hammarskjölds väg 48, Uppsala, Sweden.

Registration
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 Company has taken certain precautionary measures in relation to the annual general meeting on 2 June 2020. The measures are being taken to reduce the risk of spread of contagion.

- Shareholders should carefully consider the possibility to vote in advance as well as the possibility of participating by way of proxy. A form for advance voting and proxy form is available at www.aac-clyde.space. Shareholders who display symptoms of infection (dry cough, fever, respiratory distress, sore throat, headache, muscle and joint ache), have been in contact with people displaying symptoms, have visited a risk area, or belong to a risk group, are in particular encouraged to utilize such possibility
- No external guests will be invited.
- No refreshments will be served prior to or after the annual general meeting.
- The CEO's speech will be published at the Company's website.
- Representation from the board of directors and management will be limited at the meeting.
- The forum for questions after the meeting will be held via the web, further instructions will be published at the company's website.
- Shareholders are urged to refrain from bringing assistants to the meeting if not absolutely necessary.

Shareholders who wish to participate in the meeting must be entered into the register maintained by Euroclear Sweden AB by 27 May 2020 and register their attendance with the company no later than 4 p.m. on 27 May 2020, either by mail (AAC Clyde Space AB, Att: Ann-Christin Lejman, Uppsala Science Park, 751 83 Uppsala, Sweden) or by e-mail (ann-christin.lejman@aac-clydespace.com).

Registration includes name, personal identification or corporate registration number, address, telephone number and registered shareholding. The registration form is available on the company's website, www.aac-clyde.space. If the shareholder chooses to bring one or two advisors to the meeting, they must be registered with the company according to the above.

Nominee-registered shares
Shareholders who have chosen to register their shares with a nominee must temporarily register the shares in their own name in the register maintained by Euroclear Sweden AB to participate in the meeting.

The shareholder needs to make this request with the nominee in good time before 27 May 2020, the deadline for re-registering the share.

Proxies
A dated power of attorney is required for shareholders who choose to attend through a proxy. If the power of attorney is granted by a legal entity, a certified copy of the proof of registration or equivalent for the legal entity must be attached. The power of attorney can be valid for a maximum five years after issue. The original power of attorney and any proof of registration should be sent to the company at the above address in good time before the meeting.

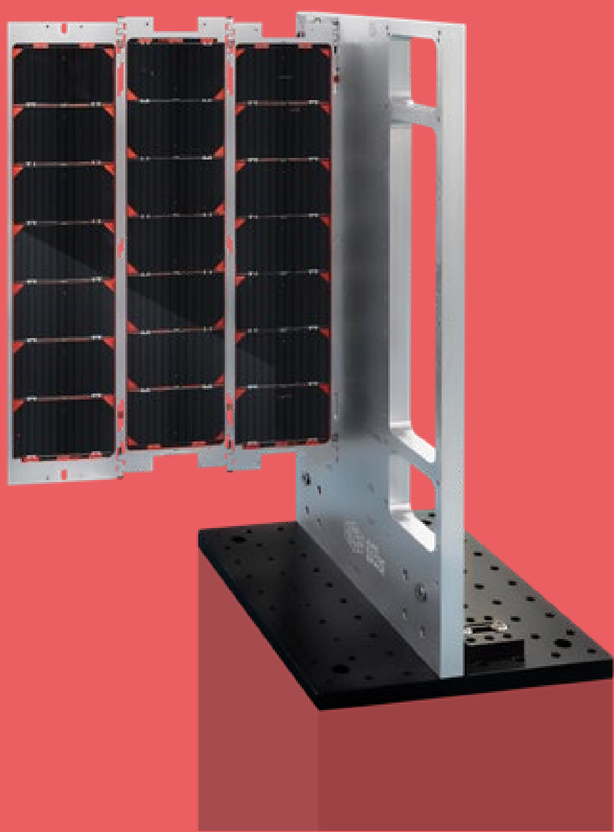
The company has made power of attorney forms available on its website, www.aac-clyde.space.

Financial calendar

Interim report, Q1 2020	15 May 2020
Interim report, Q2 2020	27 August 2020
Interim report, Q3 2020	27 November 2020
Year-end report 2020	18 February 2021

2019 IN BRIEF

- Eutelsat, a leading satellite operator placed an order with AAC Clyde Space for two 6U IoT satellites to be launched in 2021
- AAC Clyde Space agreed with ORBCOMM Inc. to deliver data from two next-generation Automatic Identification Systems (AIS) satellites
- Poland's KP Labs ordered a 6U satellite, including its launch
- The Group delivered its first 6U cube satellite was delivered to NSLComm, as the first satellite in a planned future constellation
- MID Co Ltd was nominated as new distributor in South Korea
- AAC Clyde Space strengthened its position in Japan through several subsystems orders
- SEK 82.5 million raised through a rights issue
- Luis Gomes was appointed CEO in March
- Order book increased to SEK 169 (67.1) million
- Net sales amounted to SEK 66.4 (77.9) million
- EBITDA amounted to SEK -27.3 (-28.5) million
- Net profit/loss amounted to SEK -40.6 (42.7) million
- EPS amounted to SEK -0.48 (-0.65)



AAC CLYDE SPACE IN BRIEF

The AAC Clyde Space group offers turnkey solutions and services from mission design to on-orbit operations, including reliable customizable satellite platforms in the range of 1 to 50 kg and a full range of subsystems for cube and small satellites. With unrivalled flight heritage and end-to-end service, AAC Clyde Space enables customers to reach their mission goals through a single, trusted point of contact. Shares in The Group's Swedish parent company are traded on the Nasdaq First North Premier Growth Market.

CUBESATS

A CubeSat is a type of miniaturized satellite that is made up of multiples of 10 cm × 10 cm × 10 cm cubic units (U). CubeSats are commonly put in orbit by deployers on the International Space Station or launched as secondary payloads on a launch vehicle. The miniaturization of components is continually improving and CubeSats are taking on increasingly advanced tasks, and are increasingly replacing much larger satellites, in both scientific and commercial missions. Operators are planning to improve the services CubeSats provide by forming larger constellations of 50-150 satellites thereby enabling continuous collection of data.

"AAC Clyde Space provided a full end-to-end service package for our Mission. From mission design, satellite manufacturing, testing, operations and data supply,our collaboration has proven to be the perfect blend of New Space solution providers and innovative payload deployers. We look forward to a long and productive partnership with AAC Clyde Space"

Raz Itzhaki, CEO of NSLComm

SIRIUS SATELLITE BITS

The Sirius avionics product family is a range of small satellite data handling solutions which includes on-board computers and satellite data storage subsystems. Sirius solutions are suited for advanced missions and designed for high performance, resilience and reliability. The flight proven units, together with the on-board software, implement vital functions for the satellite such as attitude and orbit control, telecommand execution, telemetry gathering and data handling.

Over the last year the on-board computers in the Sirius range have become increasingly popular among small satellite manufacturers and more than 50 units have been delivered to date. The range was originally developed for the satellite platform project InnoSat financed by the Swedish National Space Agency.

Astro Live Experiences (ALE Co., LTD) are a New Space company based in Japan. The pioneering firm aims to make artificial celestial entertainment in the form of meteor showers. The ALE-1 satellite, the first spacecraft of ALE Co., Ltd., will create man-made meteors, that should be visible with the naked eye.

"ALE selected the AAC Clyde Space Sirius solutions because of the excellent functional specifications and ease of integration. Incorporating flight proven processors and innovative hardware/firmware recovery mechanisms, the Sirius TCM boasts 16 GB mass storage and CCSDS encoding as standard enabling the high-performance for our flexible satellite operations. We are pleased that the Sirius TCM has allowed us to utilize several ground stations to link our cutting-edge satellites, proving to be a reliable and robust data handling system."

Hiroki Kitamura, Senior Space System Engineer, ALE Co., LTD

INVESTMENT CASE

Operating in a growing market

AAC Clyde Space operates in the rapidly growing small satellite market, driven by the increased need for environmental data, and the ever-growing demand for telecommunications capacity, as Internet-of-Things and broadband applications. AAC Clyde Space's low-cost high-quality miniaturized satellites offer very cost effective and technically superior unique solutions to the market. There are admittedly bottlenecks restraining sector growth in the short term, but capital is not one of them. Annual growth is expected to exceed 20 percent in the coming years, with a total market value estimated to be $42.1billion between 2019 and 2028, with AAC Clyde Space expecting a significant share of that.

Strong position

With clients ranging from institutions to commercial customers and an unparalleled flight heritage and knowledge of how to design and build satellite missions, AAC Clyde Space has a strong position in the emerging field of small satellites. The Company offers cutting edge components to the delivery of space data directly to clients, and reflects a holistic approach characterized by quality and innovation. By pairing technological innovations with standardized product designs enabling large scale production, AAC Clyde Space is set to take a lead position in new space development.

Growth strategy

AAC Clyde Space has a clearly stated intention to grow, both organically and through acquisitions. During 2019, the order book rose 150 percent to 169 MSEK. In parallel, The Company is investing in cutting edge technologies and developing its production capabilities to be able to manage significantly larger volumes than those today.

Goals

AAC Clyde Space is aiming to reach positive EBITDA and positive cash flow in 2021, on the back of higher volumes and revenues. In parallel to this this organic growth, The Company is also looking for in-organic growth in the form of acquisitions.

Eutelsat Communications ELO Project

Connecting users even in the most remote locations, leading international satellite operator Eutelsat Communications is responsible for a global fleet of satellites and ground-based infrastructure, enabling clients across Data, Government, Fixed and Mobile Broadband markets to communicate effectively to their customers.

With the IoT (Internet of Things) market on an upward trajectory across sectors such as agriculture, logistics and oil and gas, millions of smart devices will need to be interconnected from areas unserved by terrestrial infrastructure. Low Earth Orbit (LEO) is particularly well-suited to this narrowband connectivity, processing signals can be emitted by connected devices without increasing the cost or energy consumption.

Eutelsat plans to construct their own LEO satellite constellation named ELO (Eutelsat LEO for Objects), this offering global IoT coverage. This initial phase is a series of four satellites, two built and launched by AAC Clyde Space, and the other two built from Loft Orbital. If this new initiative proves successful, this would potentially lead to a constellation of 25 satellites operational by 2022. French IoT company Sigfox, which has a terrestrial narrowband service in 65 countries, is already lined up to use capacity on the ELO constellation.

AAC Clyde Space are manufacturing and launching two 6U CubeSats, ELO 3 and ELO 4, which will host the first propulsion systems onboard AAC Clyde Space satellites. The IoT (Internet of Things) payload, developed in-house is built around a sophisticated Software Defined Radio which hosts the IoT signal processing algorithms provided by Eutelsat. The satellites are expected to be launched by 2021 and will enter commercial service shortly after.

SUSTAINIBILITY BASED ON KNOWLEDGE

CEO COMMENT

We live in a rapidly changing world, with an ever-increasing array of opportunities and challenges facing us. Even in the midst of the worst pandemic in generations, and the after-effects of a financial shock, humanity's race to control our surroundings, and search for constant economic growth remain unabated.

This continuous demand for growth over the last 150 years has had grave consequences for our environment: Earth's warmest years have occurred in the last five years leading to increased forest fires and shrinking polar ice caps, increasing the risk to people worldwide.

How can the space industry help? Satellites are the ideal global tool to identify changes and manage our environmental problems. An example: the shipping industry that carry a majority of world's trade but in the process, it emits a huge amount of all air pollutants; a total of 18 per cent.

The reality is that we need to use ships for trade, so this is an impact that must be managed. Ship owners that do not do so will be penalized by governments and consumers, who increasingly demand to know how environmentally friendly the goods they buy are.

In 2019, AAC Clyde Space agreed to provide AIS data under a Space-as-a-Service contract. Such data, which only satellites can efficiently supply, will support the management of the global cargo shipping fleet, helping to identify inefficiencies in shipping operations, enforce rules and regulations and define the most efficient routes for ships. This information can then be used by companies to show that their products meet the environmental expectations of their customers.

The type of satellites and subsystems that AAC Clyde Space provides are ideally suited to support the need for more and better tools to monitor Earth. Our satellites can help governments and commercial companies understand the impact of their actions. In turn, industries such oil & gas, transportation, agriculture, etc. can use the data from such satellites to demonstrate how they are reducing their environmental footprint, something that is increasingly demanded by consumers the world over.

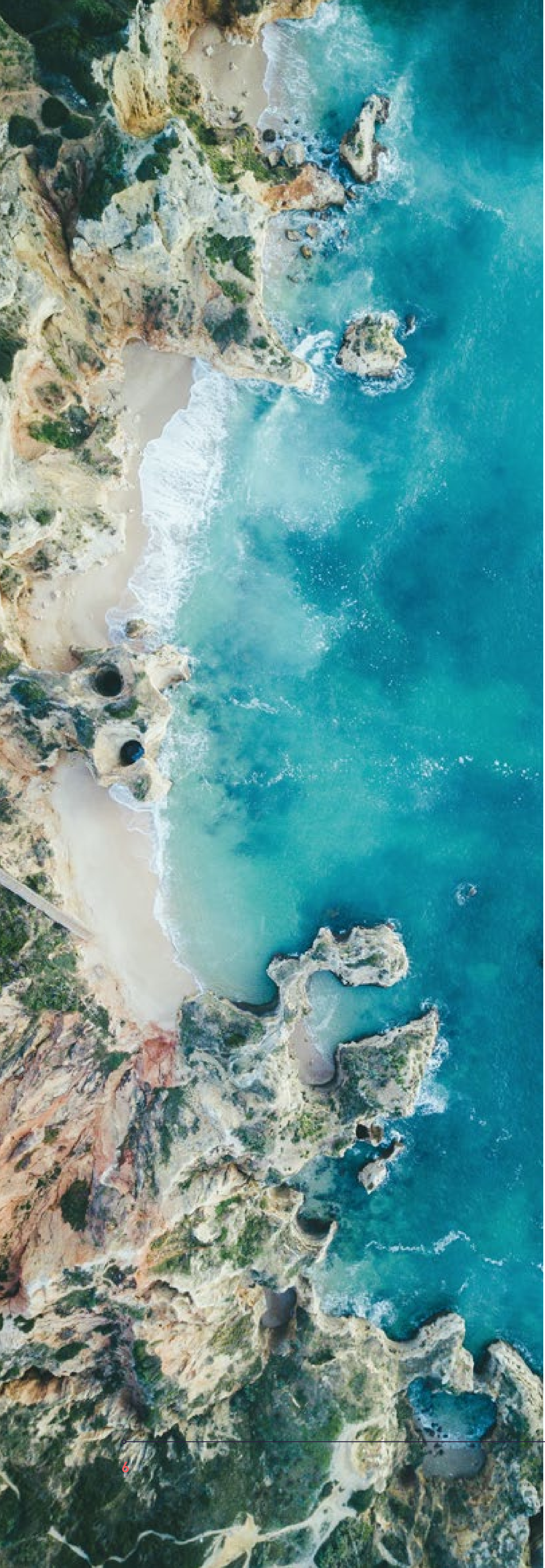
There is a clear and present need for the small satellite industry to take the lead in helping the world face the environmental changes that are upon us. AAC Clyde Space is supplying governmental and non-governmental organisations the increasing amounts of satellites and data that are required to face such changes. And as a commercial organisation, we know that the private space sector is developing a range of new value add services focused on the environment, that will need satellites and Space-as-a-Service solutions. We are the partner of choice for such solutions and are actively working on the next generation of technology and on the business models to address them.

Our skilled teams in Uppsala and Glasgow are designing a new generation of satellites that will make Earth Observation missions easier to design and build. The new Platform Functional Unit will allow our satellites to be easily configured for a different range of purposes, with a quick deployment of different types orbiting sensors.

The imperative to solve problems has always driven us at AAC Clyde Space and throughout 2020 we have set ourselves a goal of helping to take better care of Earth. With our great teams in Uppsala and Glasgow, who are some of the world's best satellite designers and builders, we can make a difference and achieve that goal.

The past year was a year in which we had substantial success in expanding our market footprint in satellites and subsystems, particularly in the IoT market. Our aim for 2020 is to grow that footprint and expand it to other areas. We have started the year with a well defined plan going forward, although we have had to adapt it to the COVID-19 emergency. Our facilities in Uppsala and Glasgow remain open, with work conducted remotely as far as is practically possible. As the COVID-19 situation evolves over the next few months, we will continue to adapt, always following the guidelines of governments and their agencies, always ensuring the safety and wellbeing of our staff and their families.

Luis Gomes
CEO



STRATEGY

Vision
AAC Clyde Space is a leading innovator in the space industry, harnessing cutting-edge technologies to enable tomorrow's space applications, connecting millions of people to data, bring better understanding of our planet's bio and exploring the last frontier.

Goal
To be the largest and most admired company in the small satellite sector, admired by all interest groups within and around our company.

Business idea
To design and produce standardized, advanced platforms, avionics and complete missions with Space-as-a-Service offerings.

Business model
AAC Clyde Space manufactures complete satellite platforms and advanced, standardized avionics for direct sales to commercial companies, universities and government institutions. The Group operates in the premium segment of the 1-50 kg satellite market, with highly standardized, miniaturized, high performance satellite platforms.

Revenue model
- Revenues from sales of space products and missions, including satellite platforms, sub-systems, avionics suites and customer specific turn-key missions.

- Recurring revenues from Space-as-a-Service contracts, typically lasting a number of years.

- One-off and recurring revenues from a range of services provided to customers – launch, commissioning, operation of satellites and data delivery.

- Revenues from IP licensing to third parties – a small but important part of the strategy to address as many markets as possible.

Strategy

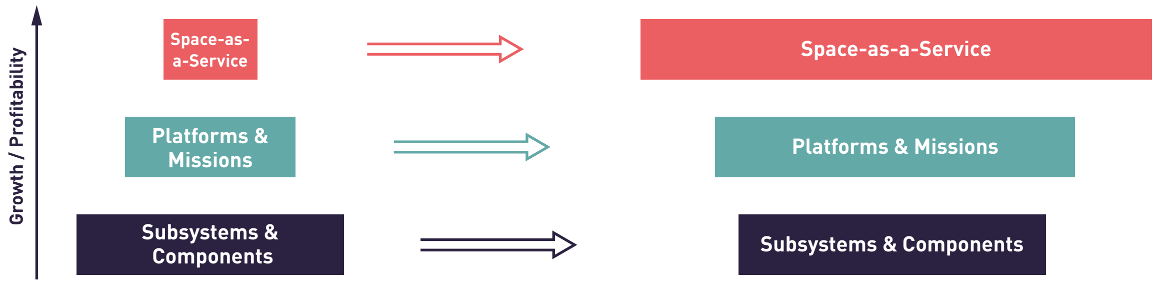
Advances in technology have enabled a significant increase in the capability and reliability of small satellites whilst also significantly reducing costs. This combination is opening opportunities to use space for a vast range of applications for commercial and government purposes. AAC Clyde Space is targeting this rapidly emerging market with its innovative, high quality small satellites and avionics systems where we see environmental applications being an increasing part of our customers' needs.

The Group aims to secure a leading position in the rapidly emerging small satellite market, by:

- Dominating the market for small satellites in the 1-50 kg range
- Focusing on constellation customers and operating satellite networks
- Developing core products and technologies to ensure continued leadership
- Increase production capacity
- Maintain the high reliability, quality and performance of the product range
- Significantly reduce costs through standardized platforms and sub systems
- Developing new business models, such as Space-as-a-Service to appeal to and attract a wider range of customers

Strategic agenda

- **Strong growth in our current markets as well as establish manufacturing in the U.S.** Local manufacturing is an important step towards attracting more US customers, and a requirement for certain defense contracts
- **Winning constellation orders of the next magnitude, approximately 10 satellites.** This is a natural development for several of AAC Clyde Space's customers who have now completed demonstration phases with satellites in orbits. Next step is to move on to operational constellations.
- **To develop a standardized and integrated platform design** to drive down costs even further while maintaining high performance, quality and reliability.
- **Start to significantly increase manufacturing capacity** from 10s of satellites into the 100s. This step will mainly take place through faster manufacturing and assembly, not by adding equipment and manufacturing space.
- **To further develop the Space-as-a-Service offering.** AAC Clyde Space's full-service offering, to design, manufacturing, launch and operate a satellite in order to deliver data to a client will be developed even further. There are opportunities to serve several customers from one satellite with more advanced payload management and to offer more advanced financial solutions.



The evolving nature of the AAC Clyde Space's revenues: the growth in Platforms, Missions and Space-as-a-Service will be the growth driver for the company in the coming years, overtaking revenues from subsystems and components.

THE SPACE MARKET

Space is an important building block in modern infrastructure. Through satellites we gain access to real time information for use in telecommunications (data traffic, TV broadcasting, voice), earth observation for environmental parameters, navigation, meteorology and climate, and data for many other scientific research areas.

Until recently, the satellite market has been dominated by governments and a few multinational companies. Projects costs were in the hundred-million-dollar range and commercial opportunities were mainly limited to geostationary telecom contracts.

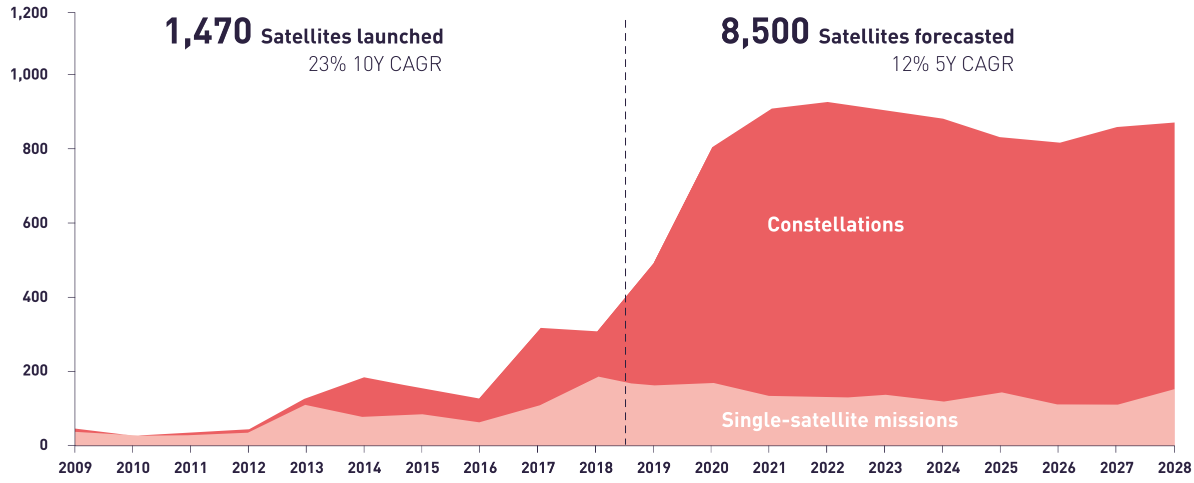
The dawn of "New Space" has with small satellites changed the market radically. Technology advances have lowered the cost of accessing space for a multitude of applications and the barriers to entry have also been lowered. This has in turn attracted a number of new and innovative companies. Smaller satellites can today perform tasks that used to require much larger spacecraft, resulting in 4 kg satellites replacing older 300 kg satellites for the same applications as with the 3U CubeSat SEAHAWK. In addition, the cost of a small satellite launch is dramatically decreasing and the availability increasing, opening up the transport system to space in what could herald the space industrial revolution. "New Space" is opening up the market for a plethora of commercial missions.

Operators are increasingly opting to use constellations of small satellites instead of one large satellite, to deliver their services, thereby offering better service by reducing latency in data delivery and reducing business risk through lower costs. Mainly deployed in Low Earth Orbit, these small satellites typically operate for five to seven years, instead of 15-20 years for large satellites, resulting in more regular replenishment and the ability to upgrade system performance with the latest technological advances and react faster to changes in customer service needs.

Small satellites set to dominate market

The market for small satellites is expected to grow rapidly in the coming decade. In the last 10 years, the market has experienced a compound annual growth rate (CAGR) of 23 per cent and predictions indicate an even greater CAGR over the next decade.

According to a report from Euroconsult in 2019, 8 500 small satellites are expected to be launched over the coming 10-year period with a total market value of USD 42 billion. This is an increase of 698 per cent from the previous 10-year period with 890 launches. It is clear that the small satellite market has reached a level of maturity where the technology is now being utilized by new service companies, like Kepler Communications and incumbent multinationals such as Orbcomm. In addition, there are indications of an increase in the use of small satellites by space agencies, for applications such as climate change monitoring, and military customers for applications like reconnaissance. In summary, the small satellite market has reached the tipping point and market growth is inevitable.



From https://spacenews.com/analysis-are-smallsats-entering-the-maturity-stage/

DRIVERS

Increased demand for data from space

Demand for services provided by satellites is constantly growing, e.g: telecommunication, navigation and positioning, tracking vehicles, surveillance for environmental, military or public safety reasons, etc. The scope and variety of services that could be delivered by satellites are endless. The largest demand is expected to come from telecommunications, a sector that has been leveraging space for services for many years and is a critical part of the world's infrastructure for government and commercial data transfer and communications applications.

Earth observation data is used in many applications, monitoring assets such as trucks, cars, and ships, forestry and farmland. Earth observation is also used in meteorology, environmental and scientific research, not least environmental related data. Security includes military applications but also encrypted transmission of sensitive information such as money transfers and health information.

Small satellites offer a lower cost and ever increasing performance

Lower cost and rapidly improving performance of small satellites is now making an increasing number of commercial applications viable. The rate of innovation is fueling this growth in applications delivered by small satellites and, in particular, CubeSats.

BOTTLENECKS

Frequencies

Frequency allocation has become one of the most important cross-industry issues for space companies, especially those using radio communication systems. Constellations of small satellites in low earth orbit can, with the help of software-defined radio, manage the constraints by adapting to certain regions. At the same time, the development of optical communication links between satellite and earth, and between satellites on orbit, open up a whole new range of solutions for high data-rate communication, which allows CubeSats and other small satellites to reach levels of performance that are not usually associated with small spacecraft.

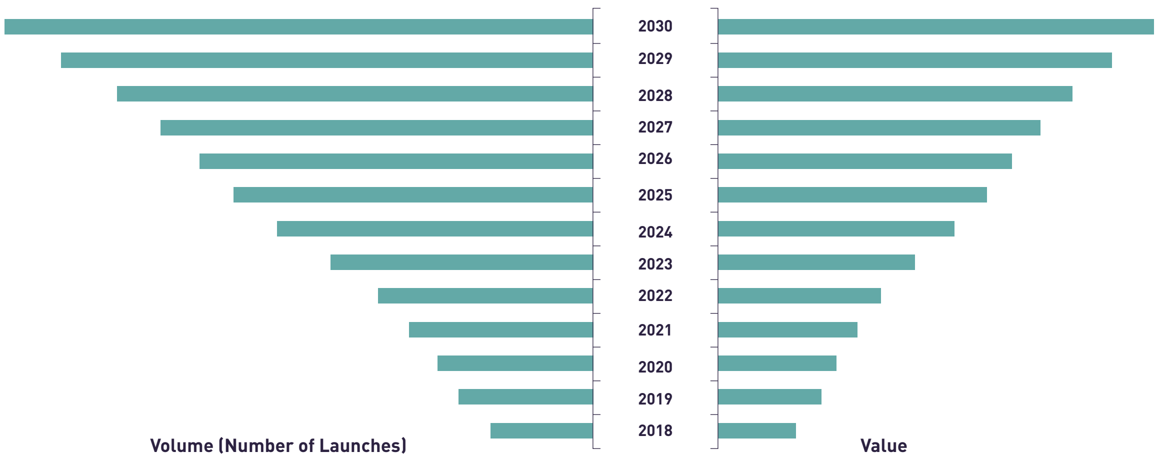
Launching capacity

Historically, there has been a shortage of launch opportunities for small satellites. Traditionally, small satellites have been launched alongside larger satellites. Recently, companies such as Rocket Lab, Virgin Orbit and ASTRA, specializing in the dedicated launch of small satellites, have emerged bringing much needed capacity to market. In addition, SpaceX has driven down the cost from USD 40,000/kg to USD 5,000/kg, enabling different launch paradigms from in-orbit transport companies like Momentus Space and D-Orbit. The forecasted growth in small satellite production relies on this growth in launch capacity and vice versa.

Congestion

Orbital space debris and orbit congestion is increasingly becoming a concern. However, by reducing the size and mass of satellites, and by launching into orbits of less than 600 km, it becomes clear that small satellites are in many ways the answer to orbital debris. For example, CubeSats are typically deployed to orbits of 500 km or less and will re-enter the Earth's atmosphere within 10 years, burning up as they fall to Earth.

Small Satellite Market Evolution 2018-2030



THE INDUSTRY

Commercial applications for satellites invite a broader base of manufacturers. Historically, universities and national science agencies have driven the development, but more and more commercial companies, often indirectly co-financed by science authorities, have entered the market. These players often strive to standardize their offerings in preparation of the larger volumes expected as constellations emerge. New Space segment is expected to bring about radical change in the market and several players are gearing up, fueling a trend towards consolidation.

Players focusing on small satellites:

Blue Canyon Technologies (BCT) - US company founded in 2008 and manufacturing subsystems for CubeSats.

GomSpace - Danish company founded in 2007 and developing CubeSats and payloads in radio technology, listed on Nasdaq First North Premier.

Innovative Solutions in Space (ISIS) - founded in the Netherlands in 2006. ISIS focuses on subsystems for satellites up to 30 kg.

NanoAvionics - Lithuanian company formed in 2014 focusing on integrated CubeSats.

Tyvak – US based company that provides launch products and subsystems for nanosatellites and CubeSats.

York Space Systems - US company founded in 2015 and developing and manufacturing standardized satellite platforms. York is a customer of AAC Clyde Space.

Small satellites
Small satellites are satellites up to 500 kg

- Mini satellite 100-500 kg
- Micro satellite 10-100 kg
- Nano satellite 1-10 kg
- Pico satellite <1 kg

CubeSats are a subset of small satellites, normally in the nano satellite range.

Delivering Enhanced AIS Data to Orbcomm

Under an exclusive license agreement announced in April 2019, AAC Clyde Space will deliver low-latency Automatic Identification System (AIS) data gathered by their next-generation CubeSats to ORBCOMM (Nasdaq: ORBC), a leading global provider of Industrial Internet of Things (IIoT) solutions.

ORBCOMM processes over 30 million AIS messages from more than 200,000 vessels per day for government and commercial customers, which include cargo companies along with search and rescue, environmental monitoring and maritime security agencies.

AAC Clyde Space will manufacture and operate two CubeSats that are expected to launch beginning in 2020, each equipped with three dedicated AIS receivers. The AIS CubeSats feature a highly versatile Software Defined Radio-based receiver to maximize AIS detections of all message types.

This contract leverages a new model in which AAC Clyde Space owns and operates the CubeSats to deliver AIS data exclusively to ORBCOMM and its customers. ORBCOMM's customers will benefit from more comprehensive global coverage as well as enhanced performance and vessel detection rates over the long term.

With demand for better identification systems and increasing maritime traffic, the satellite market has seen an increase in the need for space-based AIS solutions. The maturity and efficiency of the CubeSat technology proved to be the perfect blend for ORBCOMM's requirements. AAC Clyde Space's strategic service model is geared towards making access to space data easier and more cost-effective for existing and future customers.

OFFERING

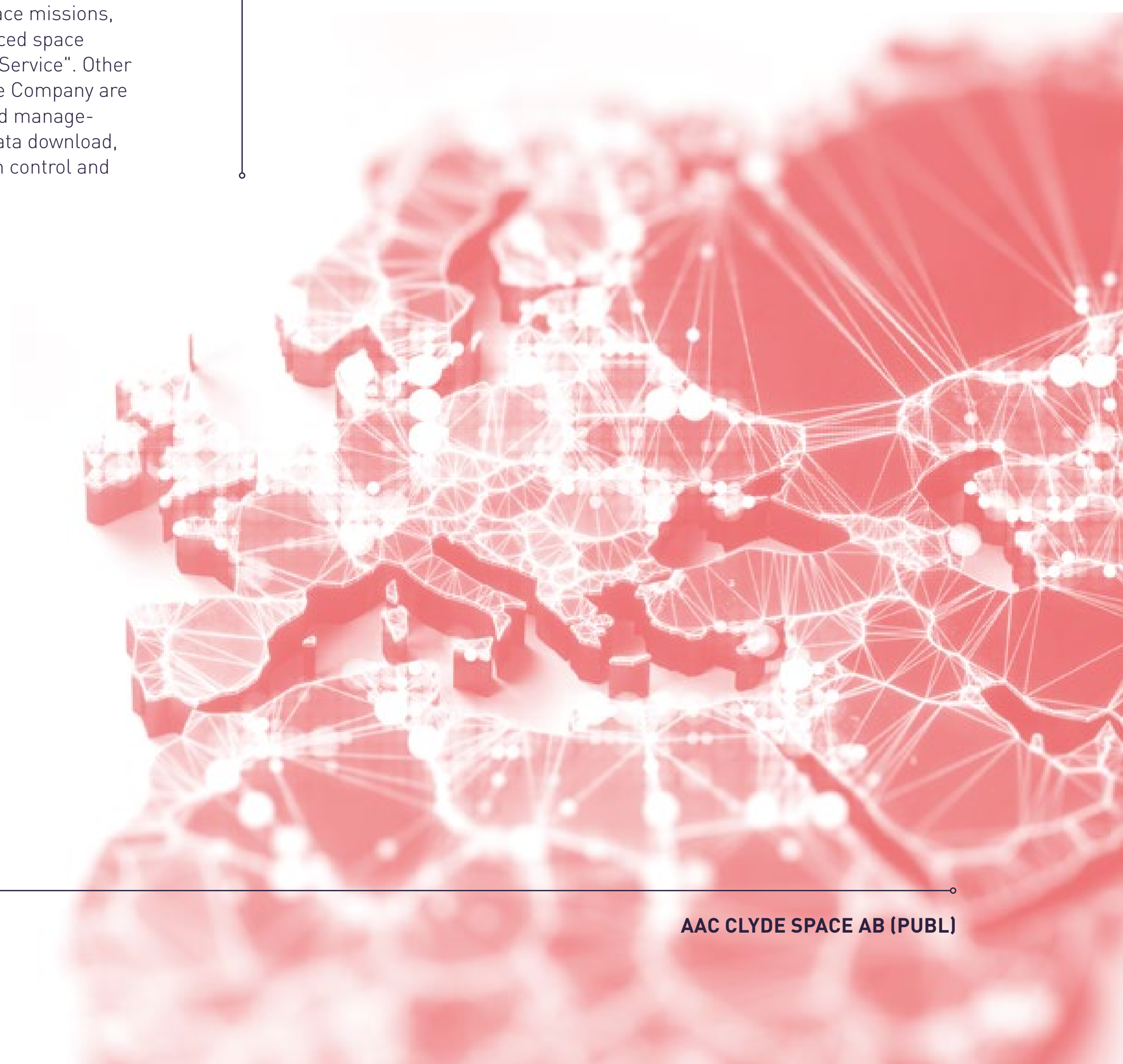
WHAT WE SELL

AAC Clyde Space is a supplier of space solutions, in three main categories:

- **Space products:** these are used by other parties in their own satellites and range from individual subsystems (solar panels, batteries, on-board computers, etc.) to fully assembled satellite platforms to which customers integrate their payloads. They are mostly off the shelf products.
- **Missions:** these are full space missions, customized to the needs of a customer. AAC Clyde Space performs the design of the mission, builds and tests the satellites and frequently offers additional services as part of the mission.
- **Services:** AAC Clyde Space offers a range of services to its customers, starting with some support services during the design of space missions, all the way to fully serviced space missions, "Space-as-a-Service". Other services provided by The Company are launch procurement and management, operations and data download, and through life mission control and management.

All these three categories are growing and we see the most rapid growth in Space-as-a-Service. Here AAC Clyde Space will build, own and operate satellites, delivering to a customer only the service or data that they require. A customer does not need to worry about the space segment construction and operation, as AAC Clyde Space will undertake those aspects.

Space products have been the dominant category for AAC Clyde Space, but over 2019 the missions and services categories have become dominant. This trend is expected to continue over the coming years.



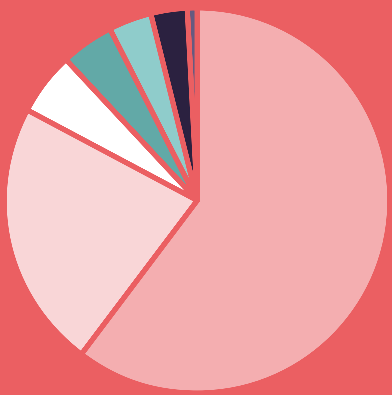
CUSTOMERS

AAC Clyde Space has a varied and exciting mix of customers, built over many years of consistent delivery of high-quality products. These customers have one goal in common: acquire a product that offers performance and reliability at a highly competitive price. From university students building their first 1U CubeSat to large space operators deploying a commercial service, AAC Clyde Space supplies a range of different solutions. These support a wide variety of applications and purposes.

The customers for our products can be largely grouped in "commercial" and "institutional".

Commercial customers make up around 80 per cent of The Company's revenue and include a mix of established space industry players, new companies in their start-up phase and resellers of our products to other markets. The trend over the last few years has been for an increase in the commercial customers as new applications were created and new companies entered the market for small satellites. These acquire both missions and space products, but also services.

Institutional customers include governmental agencies, military organizations, research institutions and universities. This segment of the market used to be the core of the AAC Clyde Space sales, but as the commercial space market grows, it has been overtaken by the commercial customers. It is still a growing market and AAC Clyde Space continues to grow its share of this segment. It tends to be a segment dominated by sales of space products that are to be incorporated into satellites, but occasional missions are also procured by these customers.



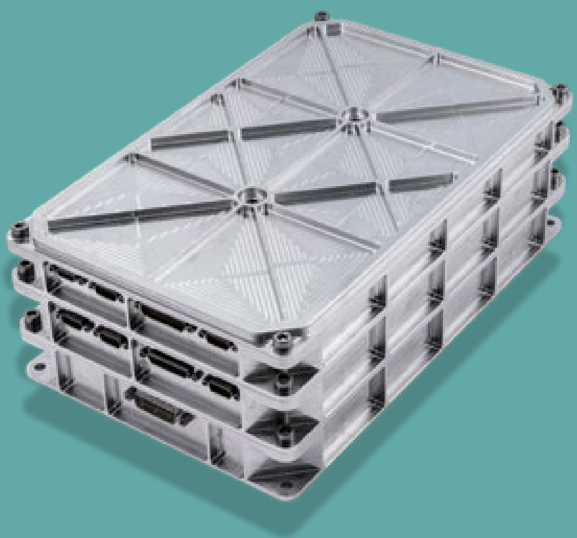
Order intake by segment

- Established Player
- Start-Up
- University
- Government Organisation
- Research Institute
- Military Academy
- Reseller

PRODUCT STRATEGY

The space market continues to evolve at an unprecedented rate, driven in a significant part by the success of low cost, highly capable systems such as those used in small satellites. With multiple successful missions and subsystems delivered in the past year, AAC Clyde Space has maintained its place as a market leader in this sector.

The Company aims to continue to build on and develop its core technologies and manufacturing capability to support and deliver to the constellation market. Investments into core avionics will continue with a focus on increased capability closely coupled with versatility. With extensive knowledge and experience in using commercial off-the-shelf components effectively and reliably in the space environment, AAC Clyde Space aim to drive the technical capability of nanosatellites even further. Manufacturability, testability, quality, consistency and throughput rates are being improved with a focus on Design for Excellence (DfX). Production costs and lead times will be reduced by increasing integration and standardization as well as manufacturability. Improving system versatility will facilitate higher potential utilization of on orbit assets and add value for users. Benefits will be seen both in both platforms and stand-alone subsystems.



"AAC Clyde Space has been a valuable partner that was able to help our team to develop the product specifications and support our spacecraft integration and assembly teams, quickly and reliably. We chose their power systems solution because of the excellent functional specifications, the unparalleled support with tools for development of our application, the ease of integration, and above all, the reliability and excellent build quality of the equipment, something which is vitally important to York."

Michael Lajczok, Director of Programs & Operations for York Space Systems

PRODUCT RANGE

Satellites can be notionally separated into two main parts: platform and payload, where the platform's task is to carry the payload into space and sustain its operation by providing the systems that all satellites need to function, irrespective of their intended application. The payload is the application enabler and consist of, for example, a camera for imaging the earth or a sensor that receives and/or transmits IoT data.

In the past, AAC Clyde Space has focused on platforms and subsystems. Gradually, an expanded offering with complete missions including satellite operation and data delivery will become of great importance.

Subsystems and Components – Satellite Bits

AAC Clyde Space has been a supplier the small satellite market for over a decade and has supplied thousands of satellite subsystems for a range of successful space missions. With a strong track record in its core market, AAC Clyde Space's readily available subsystem range, Satellite Bits, offers excellent functional specifications and good support. This puts The Company in a unique position of knowledge and understanding regarding the range of requirements and integration challenges customers have faced in the past and are likely to face in the future. This information is utilized in product development to offer a subsystem range that is reliable, robust, cost effective and relevant to demand.

The Company supplies a wide range of different subsystems and products, including full spacecraft power subsystems and a range of On-Board Data Handling solutions. These are available as Off The Shelf (OTS) products, or can be customised to meet the demands of specific space missions.

The power solutions supplied by AAC Clyde Space are a very popular choice across the CubeSat and Small Satellite industry and include the PHOTON range of fixed and deployable solar panels, OPTIMUS batteries and STARBUCK electrical power systems. These products have been used in a wide range of missions, supporting from a few tens of watts up to kilowatt level power systems.

The On-Board Data Handling subsystems are also a popular choice for CubeSats and also for larger satellites. The KRYTEN series is a powerful computer used on several Cubesat missions, while the SIRIUS series is built around a LEON3 core, making it ideal for larger missions requiring a standard command and control solution.

In addition to these, AAC Clyde Space also supplies CubeSat structures and communication systems, as well as some advanced payloads.

The Group offers a range of advanced avionics solutions designed for more demanding environments and can adapt to fit with various levels of product assurance requirements to meet customer demands.

Satellites – EPIC Spacecraft

AAC Clyde Space's standardized satellite platform range, EPIC Spacecraft, is designed from the ground up with satellite constellation users in mind. These platforms are known as CubeSats, and are built of one or more units, the "U", measuring 10 x 10 x 10 cm with a weight of just over 1 kg. This high-performance platform range includes 1U, 3U, 6U, 12U and 16U sizes.

Additionally, AAC Clyde Space also offers larger platforms built using the same components as used in CubeSats, but built around a customised structure, an approach that is more efficient for sizes bigger than 16U.

The commercially focused satellite solutions have demonstrated impressive space-based capabilities stretching across a range of customer applications. Due to the level of integration and modularity of these systems, they can maximize the available payload volume and power without compromising on the platform performance.

The EPIC spacecraft can be supplied as a platform for a customer to integrate with their payload, or as a fully integrated mission. AAC Clyde Space regularly works with customers to customise the platform to the needs and requirements of the customer, always looking for the best Price/Performance ratio. The Company will also offer a range of services associated with the build and operation of satellites, including arranging for launch, day-to-day operations and data download.

Fully Managed Missions – Space-as-a-Service

This complete end-to-end mission service package, Space-as-a-Service (SaaS), offers a wide range of commercially focused satellite solutions and services available as a comprehensive package. This empowers AAC Clyde Space's customers to both customize and streamline their mission and services.

SaaS includes mission planning and production of complete sets of satellites including, payload development, integration and testing, launch campaigns, on-orbit commissioning, satellite operations and data delivery.

AAC Clyde Space is set up to manage all aspects associated with projects that utilize space, allowing them to ultimately deliver data from space to customers who do not have the desire or skills required to be involved in satellite hardware or operations. Every aspect of the mission is carefully analyzsed, from the technical aspects, to schedule and cost, fully utilizsing their high-quality international supply chain and partnerships.

Through its own ground station and, more widely, through agreements with multiple ground network operators, AAC Clyde Space offers agile data communications configurations, facilitating command and control of space assets and data delivery as a seamless process.

PRODUCTION

All production and testing activities follow a strict quality assurance policy. The Group unites best practice from the robust quality processes of the traditional space industry with the efficiency and affordability of the small satellite market.

The Uppsala facility has developed processes that build on ECSS, European Cooperation for Space Standardization standards to ensure high quality and the Glasgow site is certified according to ISO9001:2015 for the design and manufacturing of satellite platforms and subsystems for small satellites.

The quality systems cover the entire business from initial engagement with the customer through design, manufacture and on into operations.

1. Supply Chain

Experienced employees with expertise from aerospace, defense and commercial industry ensure high quality throughout the manufacturing process and supply chain. Mass production methodologies are engaged to ensure efficient production of high-quality systems.

A network of trusted suppliers and partners compliment The Company's in-house capabilities in niche specialist areas ensuring customers have access to best-in-class satellite components. High volume sub-assemblies are procured from contract manufacturers before undergoing integration and final assembly in house.

2. Customization & Integration

The Company's product lines are designed to ensure that off-the-shelf standard products can meet the needs of the vast majority of customers, however sometimes it is necessary to address bespoke requirements that emerge based on specific customer and market needs. The standard product ranges are modular allowing development and customization in an efficient manner while still meeting the customer needs for rapid access to space.

Both sub-system and platform products have significant flexibility designed in and the engineering team can tailor these and develop bespoke interfaces to meet emerging requirements. This approach ensures that development timelines can be improved and flight heritage maintained through commonality with standard products.

The knowledge gained from having had platforms, subsystems and components on orbit is used to inform design, production and integration contributing to improved reliability, quality and cost efficiency of the company's solutions.

3. Flight assembly

Satellites and their sub-systems are assembled in clean room facilities by specially trained flight technicians and Assembly Integration and Test (AIT) engineers. Strict adherence to quality procedures ensures that the equipment produced meets the demanding requirements of the space environment. All flight hardware is tightly controlled to ensure full traceability from release of a work order to delivery to the launch provider.

Customer payloads will undergo acceptance testing on arrival at the facility before the AIT teamwork with the customer to integrate the payload with the satellite and perform end-to-end testing.

4. Testing

Testing is a critical group competence and ensures that the product delivered has been proven to meet the customer's requirements. Functional test facilities are co-located within our production clean room allowing test and inspection throughout the manufacturing process.

All hardware testing is performed in ESD-controlled laboratories or clean rooms. In house automated test facilities and an experienced team of test engineers ensure that product performance is rigorously verified, and the quality management system ensures that each product is inspected to ensure the highest quality. The Group performs environmental testing with inhouse equipment used recreate the harsh launch and space environments.

To summarize testing, the quality processes and reliability of the traditional space industry are combined with the efficiency and affordability required in the small satellite sector.

FACILITIES

AAC Clyde Space has two production facilities: Uppsala and Glasgow. Both facilities are equipped with state-of-the-art integration and test equipment including electronics laboratories and clean rooms.

The Uppsala facility

In Uppsala, The Group has 80 sqm clean room facilities complying with 10 000 and 100 000 classes. The total production area is 65 sqm.

The Glasgow production facility

In Glasgow, The Group has 280 sqm clean room facilities in the 100 000 class. The total production area is 530 sqm.

The Glasgow facility includes a test house incorporating thermal vacuum chamber, solar illumination test capability and vibration tables to qualify hardware for the space flight environment. The test capability is able to accommodate products ranging from individual circuit board assemblies to fully assembled satellites.

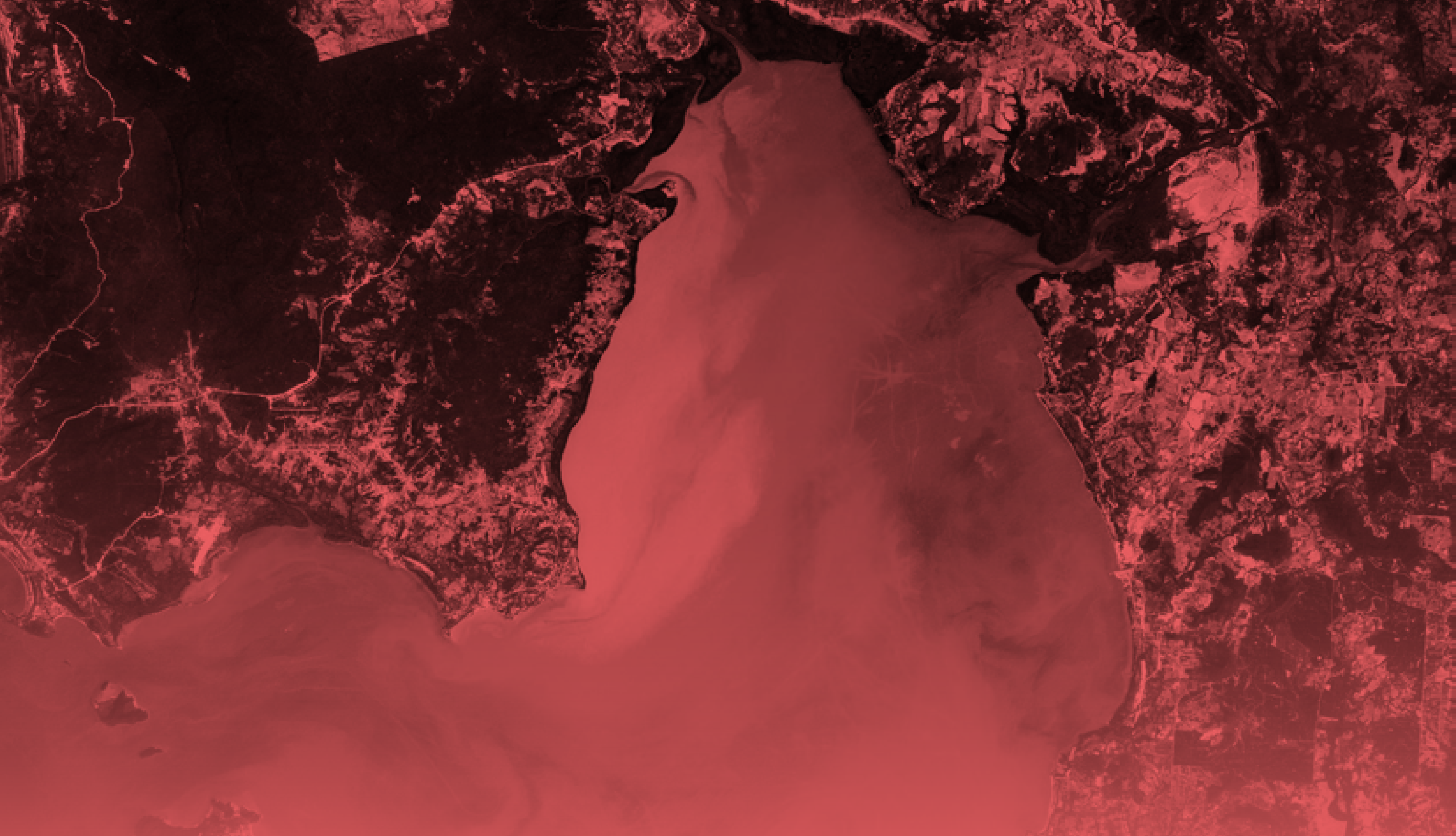
In the coming year The Group plans to expand the test capabilities to include magnetic field and electromagnetic test capabilities further improving our offering to customers. This will ensure the requirements of launch providers are met efficiently, simplifying access to space for our customers.

Ground station

In Glasgow, The Group has developed a ground station from which satellites can be operated. It is located for optimum unobstructed sky view aiming to maximize satellite pass airtime.

The ground station utilizes a highly adaptable software that support customers' missions, including; a fine accuracy rotator system enabling high data rate technology; bespoke networking permitting remote locating of antenna arrays.

The operations facility is capable of integration with third-party ground station network partners providing flexibility and high-performance communication with space assets regardless of their orbits or communications frequency.



Adapting Quickly to Customers' needs

San Francisco-based, Loft Orbital Inc. ,offers fast access to space for their customers, leasing space on their multi-payload interfacing satellites the company fly customer solutions on their 75-200 kg class micro satellites as a service.

The company's first satellite, YAM-2 (short for Yet Another Mission), is scheduled to launch by mid-2020 on an Indian Polar Satellite Launch Vehicle and will demonstrate Loft Orbitals flexible interface and hosting concept. YAM-2 will carry five payloads: an Internet of Things telecom payload for Eutelsat; a methane sensor for Orbital Sidekick; a satellite positioning payload for Fugro; an imager for the UAE government; and a blockchain payload for SpaceChain.

AAC Clyde Space's Sirius avionics, with some customer-specified enhancements, are being used for its Payload Interface & Control Unit (PICU), with options for subsequent missions pre-agreed. The Payload Interface & Control Unit solution makes it possible for customers to rideshare, it enables the satellite to host and operate a wide range of payload types simultaneously. Loft Orbital selected The Company's Sirius products for its PICU due to the high-quality, reliability and the flexible characteristics of the electronic solutions. This married with AAC Clyde Space's short lead time and ability to quickly adapt to customer product specifications including add-ons proved to be the perfect match for Loft Orbitals requirements.

PEOPLE AND ORGANIZATION

AAC Clyde Space is committed to growing its leadership position in the New Space sector, and are investing in people to ensure this will happen. The Company currently has a recruitment drive as it scales up production, develops next generation small satellite products and expands its capabilities and services.

This is essential for The Group to maintain its competitive edge in the long term, whilst also addressing the order backlog in the short term.

Over the past year, AAC Clyde Space has expanded its team, particularly within key skill sets for roles across The Company, including business areas such as Logistics, Quality Assurance, Engineering, Business Development and Manufacturing. The high calibre of The Company's international workforce is reflected in both the extensive combined industry experience and academic qualifications, including multiple PhD level and over 60 degree or above qualified staff.

Focusing on the next generation, AAC Clyde Space are strengthening links with universities, expanding graduate recruitment and their apprenticeship programme, and have increased participation in STEM promotion activities to help increase the number of young people looking to future careers in Engineering.

AAC Clyde Space recognizes that cultivating an innovative and inclusive company culture is essential to not only attracting but retaining employees across both the Swedish and UK sites. Multiple initiatives focusing on staff well-being, internal communication and engagement and skills development and internal communications and engagement have been introduced or improved upon in the past year.

Values

Excellence
We are convinced that excellence happens by making the right choices over and over again.

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

Team
We treat each other fairly and with respect.

We want everyone to be part of the team.

Customer Focus
Strong relationships with our customers are vital to our business.

We recognise that a customer's perception is their reality.

Integrity
We act openly and with honesty.

We stand behind our promises.

15 YEARS OF HISTORY

2005

ÅAC is spun-out from the Ångström Laboratory at Uppsala University. Craig Clark starts Clyde Space in Glasgow.

2006

The Company develops its first standardized product, a battery system for cube satellites.

2007

The Group wins its first order from USA.

2009

The Company begins to build its flight heritage with components on a Japanese satellite.

2012

The TechEdSat-1 satellite developed with NASA Ames is dispatched to ISS from where it is to be launched into orbit.

2014

The Company's first proprietary satellite, the UKube-1 reaches orbit.

2015

The Swedish Space Agency assigns AAC Clyde Space and OHB Sweden to deliver a micro-satellite platform to the satellite MATS.

The Group is commissioned to build four 3U cube satellites by Innovate UK and the Satellite Applications Catapult.

2016

US York Space Systems licenses the rights to manufacture Sirius products for the US market and for its own satellites.

The stock is listed on Nasdaq Stockholm First North.

2017

The Group wins its first order on a 6U cube satellite.

AAC Clyde Space receives the highly regarded "Queen's Awards For Enterprise: Innovation 2017".

2018

ÅAC Microtec and Clyde Space merge to form AAC Clyde Space.

The ground station outside Glasgow is inaugurated.

2019

The Group receives an order from the French satellite operator Eutelsat for two "Automatic Identification Systems" (AIS) satellites.

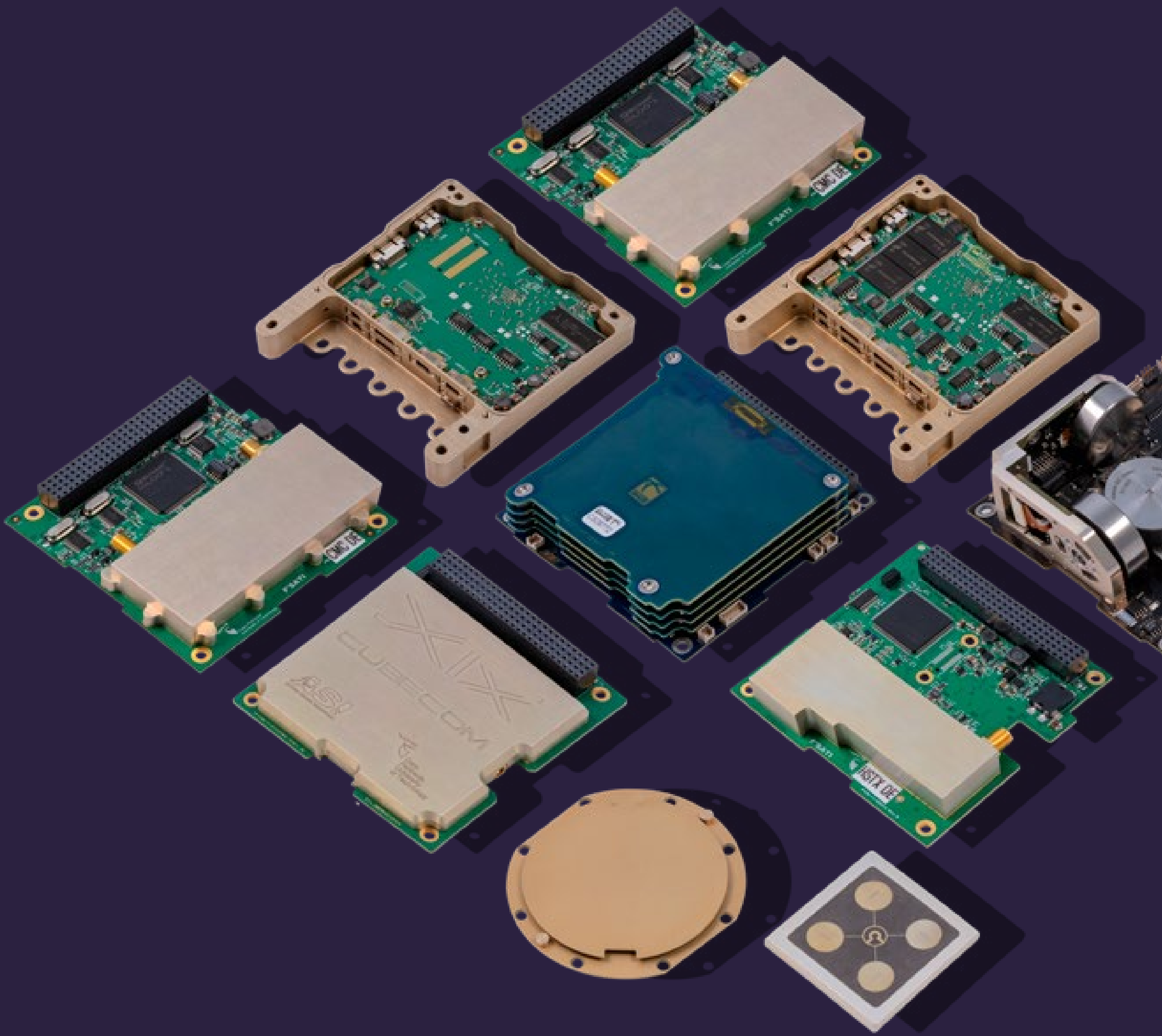
With 50 units sold, the Sirius range on-board computer establishes itself as a solid player in the 100 kg satellite classes.

Trading in the shares is upgraded from Nasdaq First North to Nasdaq First North Premier Growth Market. The upgrade is an important step in facilitating institutional ownership and to an eventual listing on the main market.

The Group receives an order for a 6U cube satellite from Polish KP Labs.

The Group concludes its first Space-as-a-Service contract with ORBCOMM who will deliver the next generation AIS data to monitor vessels.

A total of SEK 82 million is raised in a successful share issue.



Our solutions have an impressive mission heritage, making AAC Clyde Space the market leading provider of New Space technologies and services that push the boundaries of Small Satellite capabilities.

SPACE MISSIONS FOR THE ENVIRONMENT

Extreme weather events were responsible for much devastation to many regions of our planet in 2019 and these events can be largely attributed to the effects of climate change. They range from excessive rainfall, coastal flooding, heatwaves, drought and forest fires - such as the recent fires in Australia.

According to the United Nations, between the period of 1998–2017 the direct economic losses from disasters were estimated at almost USD 3 trillion and climate-related and geophysical disasters claimed an estimated 1.3 million lives. With greenhouse gas emissions rising at a rate much faster than anticipated, more ambitious plans and accelerated actions are needed.

Satellites are one of the most vital tools to better understand our planet. They enable us to capture a global view of what is happening across the planet. This gives us the ability to monitor events in real-time and look for trends in changes to key climate change indicators such as the size of the polar icecaps. Academia, government agencies and industry are joining forces like never before to design increasingly accurate instruments and satellites to improve environmental surveillance and generate reliable data, filling in the gaps of our understanding for informed decision making.

The first climate satellite was launched in 1959, Vanguard II, and was the first weather satellite, designed to measure cloud coverage and the density of the atmosphere. The Earth Radiation Budget Satellite (ERBS), launched in 1984, provided an early insight into how human activities, such as the burning of fossil fuels, affect the planet's radiation balance, and helped discover the hole in the ozone layer. A further addition to this network of global satellites was the European Space Agency's (ESA) Sentinel-3A, which launched in 2016. The satellite was designed to collate data on ocean surface temperature and map the extent and topography of ice.

These satellites have been collecting data to monitor our planet's ecosystems in a way that could not be achieved by any other means. This space activity is known as Earth Observation or Remote Sensing and is now increasingly being carried out by advanced small satellites and nanosatellites.

Nanosatellites, like our CubeSats, have demonstrated impressive space-based capabilities stretching across a vast range of applications. The low-cost, high performance nature of CubeSats is opening up access to space for small countries, institutions and commercial organisations. When deployed as a fleet these cutting-edge small satellites can be used to provide near-real time global coverage and measurements.

AAC Clyde Space have recently delivered a 3U scientific CubeSat, PICASSO (Pico-Satellite for Atmospheric and Space Science Observations), an ESA (European Space Agency) earth observation demonstration mission, which will map the ozone in the stratosphere and measure electron density and temperature in the plasma around the satellite. The Ozone in the high

"Space-based remote sensing provides a means of observing our oceans which would otherwise be impossible using planes and ships alone."

atmosphere is critical for life on Earth as it shields the Sun's UV radiation, so accurate and timely information about its density is critical for humanity. PICASSO aims to show that such measurements can be successfully done with very small satellites.

The Earth's oceans are a vast ecosystem that represents some 99 per cent of the Earth's living volume and delivers numerous benefits to humanity. It is known that climate change is altering the sea concentrations, river flow and causing costal erosion in turn threatening the survival of certain ecosystems. Our oceans are also subject to neglect and pollution which, if left unchecked, could be devasting for the future of our planet. Space-based remote sensing provides a means of observing our oceans which would otherwise be impossible using planes and ships alone.

Sustained ocean color monitoring is vital to understanding the marine ecosystem. It has been identified as an Essential Climate Variable (ECV) and is a vital parameter in understanding long-term climate change. Furthermore, observations can be beneficial in observing oil spills, harmful algal blooms and the health of fisheries.

AAC Clyde Space are part of the SOCON project (Sustained Ocean Color Observations using Nanosatellites), a collaboration between the University of North Carolina at Wilmington (UNCW), Cloudland Instruments and NASA's Goddard Space Flight Centre, to construct, launch and operate 2-SeaHawk CubeSats with HawkEye Ocean Color Sensors. The first satellite, Seahawk-1, was launched in 2019.

The aim of the project is to observe the changing biology of the ocean surface and these first two spacecraft are a precursor to a possible constellation of SeaHawk satellites which would provide continuous measurement of ocean color data. Seahawk is a follow-on mission from the highly successful SeaWiFS (Sea-Viewing Wide field-of-View Sensor) mission, launched in 1997. Over 20 years on, Seahawk is able to replicate the performance of the SeaWiFS mission except it is approximately 100 times smaller, lighter and cheaper.

The two identical AAC Clyde Space built SeaHawk spacecraft carry a cutting-edge multispectral imager called 'HawkEye' to perform Ocean Colour monitoring. The data will be integrated into NASA's SeaWiFS Data Analysis System (SeaDAS) and will be distributed worldwide by the NASA Ocean Biology Distributed Active Archive Center at Goddard Space Flight Center. The data gathered by SeaHawk will enable greater understanding of the marine food chain, oceanic climate, fisheries and pollution phenomena. This information will be vital to our ability to monitor and support the health and the and sustainability of our oceans.

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 2019 to 31 December 2019.

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

Order intake in 2019 was record-breaking, resulting in an order backlog of approximately SEK 169 M at 31 December. Customers included two of the world's leading satellite operators: Eutelsat of France and ORBCOMM of the US. AAC Clyde Space will supply and launch two IoT satellites for Eutelsat, and data will be supplied from two "Automatic Identification Systems" (AIS) satellites for ORBCOMM. Our subsystems also reached new milestones, particularly in the Sirius series on-board computers. With 50 units sold, they have become a solid player in the 100 kg satellite group. The subsystems were successful both in some of the world's most established aerospace markets (Europe, the US and Japan) as well as growing aerospace markets, proof of their quality and performance.

A successful rights issue of SEK 82.5 M before issue expenses was carried out in June. The issue was oversubscribed at 139 %. The aim of the rights issue was to capitalise the company and to leverage the opportunities in the commercial aerospace market.

Luis Gomes was appointed new CEO in March, succeeding Alfonso Barreiro. Luis Gomes has 25 years of experience in the space industry, particularly within the area of small satellites. He comes to the company most recently from the British firm SSTL, where he was CTO and Executive Director, responsible for defining and conducting both technological and commercial strategies.

In March, Nasdaq approved the company's application to transfer trading of the share to the premium segment Nasdaq First North Premier Growth Market. The transition is an important step towards the ultimate goal of being listed on the stock exchange's main list.

Group structure

At 31 December 2019 The Group consisted of the Parent Company AAC Clyde Space AB, with its registered office in Uppsala, and five subsidiaries (Note 14).

Earnings and financial position

The Group

Sales and earnings

Net sales amounted to SEK 66.4 M (77.9). The decrease in sales was mainly due to considerable resources being invested in solving issues pertaining primarily to two satellite projects, which were both delivered in the beginning of 2020.

EBITDA totalled SEK -27.3 M (-28.5).

EBIT totalled SEK -40.2 M (-43.3) and loss after tax was SEK -40.6 M (-42.7).

Investments

The Group's investments in non-current assets for the period totalled SEK 13.9 M (2.3), of which intangible assets were SEK 12,1 M (1.5). The investments in intangible assets consist mainly of development expenses related to the ORBCOMM project.

Cash flow, liquidity and financial position

Available cash and cash equivalents as of 31 December 2019 totalled SEK 52.4 M (12.2) and an unutilised bank overdraft facility of SEK 8 M.

The equity/assets ratio amounted to 85 % (91). Cash flow from operating activities totalled SEK -15.7 M (-48.6).

Employees

There were 95 employees (85) at the end of the year.

Parent Company

Parent Company net sales totalled SEK 28.3 M (38.1), and the loss after tax was SEK -18.2 M (-107.1), the figures for 2018 included impairment of SEK 92 M pertaining to the Clyde Space shares. In 2018, operations in the Group were restructured and a portion of the goodwill from the acquisition of Clyde Space was transferred from the cash generating unit Clyde Space Ltd to AAC Clyde Space AB. From a Group perspective, the value of the acquisition is thus unchanged. As a result of the goodwill transfer, an impairment of SEK 92 M was recognised for AAC Clyde Space's carrying amount for the shares in Clyde Space.

The Parent Company's investments in non-current assets totalled SEK 0.5 M (387) SEK where the corresponding period last year included the acquisition of Clyde Space for SEK 385 M, comprised of a share issue of SEK 354 M, cash of SEK 22.4 M and acquisition costs of SEK 8.8 M. At 31 December 2019, cash and cash equivalents amounted to SEK 50.1 M (11.2) and the equity/assets ratio was 97 % (97).

Significant events after the end of the year

The Israeli firm NSLComm placed an order for one 6U satellite and services with a total order value of about SEK 15 M (GBP 1.2 M). NSLComm has also appointed AAC Clyde Space as a preferred supplier in its planned satellite constellation. AAC Clyde Space will manufacture, launch, commission and operate the satellite as well as deliver a ground segment software solution. The satellite is planned to launch in the third quarter of 2021.

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).

AAC Clyde Space appointed John Charlick COO and Ross Lang UK Head of Finance to the executive management team. Accordingly, the management team consists of Luis Gomes, CEO and acting Vice President Business Development; Mats Thideman, CFO and deputy CEO; Craig Clark, Chief Strategy Officer; Andrew Strain, Chief Technology Officer; John Charlick, Chief Operating Officer and Ross Lang, UK Head of Finance. A new structure for how the team operates has also been implemented in order to support the company's growing operations.

Responsible business

None of the Group's operations require permits. For information about the Group's sustainability initiatives, see pages 22–23.

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. AAC Clyde Space, like other companies, is currently facing challenges related to the spread of Covid-19 (the coronavirus). The virus is spreading in many countries and measures are being taken around the world to minimise the effects on society and the economy.

Facilities in Uppsala and Glasgow 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 our employees, while the rest are involved in manufacturing, which is continuing as normal at our facilities.

In the short term, travel bans have been introduced to reduce the risk of infection and to counteract being stranded due to closed borders or quarantines. We have cancelled our appearance at several trade fairs in the near future, and are meeting customers, business partners and other visitors digitally. We are working with our suppliers to ensure the deliveries we need to fill current and future orders. The management team is continuously updating our internal Business Continuity Plan to ensure that we deliver the products and services our customers are expecting in a timely manner. At the time of writing, operations have only been marginally affected by Covid-19, but it is impossible to determine the ultimate effect on the Group. Accordingly, the Board's assessment is that the financing will be secured for the next 12 months. See Note 3.

To ensure funding for the coming 12-month period, operations are focusing on capturing orders and fulfilling commitments to customers. Until the Covid-19 situation has stabilised, all other expenses are being deferred as long as possible.

Guidelines for renumeration to the senior management

The guidelines adopted at the Annual General Meeting on May 23, 2019 can be found in Note 8.

Guidelines for remuneration to senior executives regarding 2020 can be found in the notice to attend the Annual General Meeting 2020 and do not entail any significant changes compared with those adopted for 2019.

The share

Since 21 December 2016, AAC Clyde Space's share has been listed on Nasdaq First North Stockholm under the symbol AAC. On 27 March 2019, trading in the company's share was moved to Nasdaq First North Premier Growth Market. As of 31 December 2019, 96,207,759 shares had been issued at a quotient value of SEK 0.04 per share. All shares carry equal rights to the company's profits and assets.

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

The single largest owner 31 December 2019 was Mediuminvest A/S with 11,750,000 shares corresponding to 12.2 % of the capital and votes. More information about AAC Clyde Space's share and shareholders can be found on page 82, in the section The share.

Dividend

The Board of Directors proposes to the AGM that no dividend should be distributed for the 2019 financial year.

Proposed distribution of earnings
Funds at the AGM's disposal (SEK):

Share premium reserve	594,758,452
Retained earnings	-184,381,421
Loss for the year	-18,179,135
Total	**392,197,896**

The Board proposes that the retained earnings of SEK 392,197,896 be carried forward.

FINANCIAL REPORTS GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

kSEK	Note	Full year 2019	Full year 2018
Net sales	6	66,435	77,888
Work performed by the company for its own use and capitalised		2,975	1,481
Other operating income	9	11,172	9,802
TOTAL		**80,582**	**89,171**
Raw materials and subcontractors		-27,442	-30,961
Personnel costs	8	-51,791	-53,203
Other external expenses	7, 30	-23,653	-22,825
Other operating expenses	10	-4,993	-10,663
EBITDA		**-27,297**	**-28,481**
Depreciation/amortisation and impairment of tangible and intangible assets	15, 16, 29	-12,894	-14,784
EBIT		**-40,191**	**-43,265**
Financial income	11	103	87
Financial expenses	11	-947	-427
Net financial items		**-844**	**-340**
Income tax	13	473	924
PROFIT/LOSS FOR THE PERIOD		**-40,562**	**-42,681**
Other comprehensive income:			
Items that may be transferred to profit or loss			
Exchange-rate differences		21,345	6,870
Other comprehensive income for the period		**21,345**	**6,870**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**-19,217**	**-35,811**

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

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

SEK	Full year 2019	Full year 2018
Basic and diluted earnings per share	-0.48	-0.65

CONSOLIDATED BALANCE SHEET

kSEK	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Non-current assets			
Intangible assets	16		
Goodwill		380,781	360,815
Brands		15,952	14,821
Customer relationships		3,239	3,985
Capitalised expenditure for development		16,522	9,195
Other intangible assets		2,152	3,780
Total intangible assets		**418,646**	**392,596**
Tangible assets	15		
Plant and equipment		3,931	675
Inventories		178	3,533
Right-of-use assets	29	14,153	
Total tangible assets		**18,262**	**4,208**
Financial assets			
Other long-term securities holdings		-	-
Total financial assets		**0**	**0**
Total non-current assets		**436,908**	**396,804**
Current assets			
Inventories			
Raw materials and consumables	20	13,108	6,457
Current receivables			
Accounts receivable	19	17,743	10,138
Current tax assets	21	6,397	1,046
Contract assets	27	10,774	10,495
Other receivables	21	2,409	8,988
Prepaid expenses and accrued income	22	5,667	6,798
Cash and cash equivalents	23	52,380	12,237
Total current assets		**108,478**	**56,159**
TOTAL ASSETS		**545,386**	**452,963**

CONSOLIDATED BALANCE SHEET

kSEK	Note	31 Dec 2019	31 Dec 2018
EQUITY AND LIABILITIES			
Equity attributable to Parent Company shareholders			
Share capital	24	3,848	2,749
Current new issue		-	-
Other contributed capital		614,294	542,117
Reserves		28,249	6,945
Retained earnings (including earnings for the year)		-180,296	-139,755
Total equity attributable to Parent Company shareholders		**466,095**	**412,056**
Non-current liabilities			
Liabilities to credit institutions	25	771	1,194
Lease liability	29	11,253	-
Deferred tax liabilities	26	3,911	4,083
Total non-current liabilities		**15,935**	**5,277**
Current liabilities			
Accounts payable	17	9,763	11,061
Liabilities to credit institutions	25	-	166
Lease liability	29	2,876	-
Other liabilities		5,706	1,720
Contract liabilities	27	38,064	12,083
Accrued expenses and deferred income	28	6,947	10,600
Total current liabilities		**63,356**	**35,630**
Total liabilities		**79,291**	**40,907**
TOTAL EQUITY AND LIABILITIES		**545,386**	**452,963**

CONSOLIDATED CHANGE IN EQUITY

kSEK	Share capital	Current new issue	Other contributed capital	Reserves	Retained earnings incl. profit/loss for the period	Total equity
Opening balance on 1 January 2018	**1,268**	**34**	**141,550**	**75**	**-97,074**	**45,853**
Profit/loss for the period	-	-	-	-	-42,681	**-42,681**
Other comprehensive income	-	-	-	6,870	-	**6,870**
Total comprehensive income	**0**	**0**	**0**	**6,870**	**-42,681**	**-35,811**
Transactions with shareholders						
Directed share issue	261	-34	49,772	-	-	**49,999**
New issue supported by warrants	-	-	6	-	-	**6**
Non-cash issue (see Note 29)	1,220	-	352,799	-	-	**354,019**
Issue expenses	-	-	-2,011	-	-	**-2,011**
Closing balance on 31 December 2018	**2,749**	**0**	**542,116**	**6,945**	**-139,755**	**412,056**
Opening balance on 1 January 2019	**2,749**	**0**	**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 on 31 December 2019	**3,849**	**0**	**614,291**	**28,270**	**-180,317**	**466,095**

Equity is attributable in its entirety to Parent Company shareholders.

CONSOLIDATED STATEMENT OF CASH FLOWS

kSEK	Note	2019	2018
Cash flow from operating activities			
EBIT		-40,191	-43,265
Adjustments for non-cash items	35	12,893	14,784
Interest received		73	87
Interest paid		-917	-427
Income taxes paid		-11	-5
Cash flow from operating activities before changes in working capital		**-28,153**	**-28,826**
Cash flow from changes in working capital			
Change in inventory		-6,651	-871
Change in operating receivables		-5,744	-12,695
Change in operating liabilities		24,842	-6,218
Total changes in working capital		**12,447**	**-19,784**
Cash flow from operating activities		**-15,706**	**-48,610**
Cash flow from investing activities			
Acquisition of shares in subsidiaries, cash		-	-18,046
Investments in tangible assets		-1,881	-783
Investments in intangible assets		-12,055	-1,487
Cash flow from investing activities		**-13,936**	**-20,316**
Cash flow from financing activities			
New issue supported by warrants		-	6
Change in deferred tax		6	-
Rights issue		82,464	50,000
Issue expenses		-9,189	-2,011
Outgoing repayments of lease liabilities	34	-3,152	-4,055
Repayments of borrowings		-423	-
Cash flow from financing activities		**69,706**	**43,940**
Decrease/increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		12,237	37,203
Exchange-rate differences in cash and cash equivalents		80	20
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**52,381**	**12,237**

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 directors on 5 May 2020.

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 adopted by the Group
The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

IFRS 16 Leases
The Group had to change its accounting policies following the adoption of IFRS 16. In accordance with the transition rules for IFRS 16, the Group applies the modified retrospective approach and has therefore not restated the comparative figures. Note 36 includes information on the effect of the transition to IFRS 16.

New and amended standards not yet adopted by the Group
A number of new accounting standards and interpretations have entered force for financial years starting 1 January 2020 or later and were not applied in the preparation of these financial statements. None of these are expected to have a significant impact on the Group when they are adopted.

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 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 and 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 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 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. 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 revenue, 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 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 in the amount to which AAC Clyde Space has a right to invoice. 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 Space's 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 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. A 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.

Accounting policies before 1 January 2019
The Group is only a lessee (premises, office supplies and vehicles) and currently only holds leases classified as operating.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (premises, office supplies and vehicles). Payments made under operating leases (net of any incentives received from the lessor) are expensed on a straight-line basis in the statement of comprehensive income over the period of the lease.

2.4 Employee benefits

a) Current benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. 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.

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 this case, the tax is also recognised in other comprehensive income or directly 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 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 provided in full, using the liability method, on 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 income 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 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 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. 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 they will generate cash flow.

(iii) Order backlog

Order backlog 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. 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 they will generate cash flow.

Useful lives for the Group's intangible assets	
Capitalised expenditure for development	3–5 years
Patents	10 years
Customer relationships	5 years
Software	3 years
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 years
Inventories	5 years

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 plant, property and equipment 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.

2.9.1 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.

2.9.2 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. 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.

2.9.3 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.

2.9.4 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.

2.9.5 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 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.

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
(i) 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.

(ii) 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 reporting 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 one, 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 9,711 at 31 December 2019 (31 December 2018: kSEK 9,215). Accounts receivable in foreign currencies amounted to kSEK 4,335 at 31 December 2019 (31 December 2018: kSEK 4,179).

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 2019 financial year would have been kSEK 633 (2018: kSEK 722) 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 2019 financial year would have been kSEK 69 (2018: kSEK 172) 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 2019 financial year would have been kSEK 87 (2018: kSEK 41) lower/higher.

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

Sensitivity analysis – translation exposure

AAC Clyde Space AB has a significant subsidiary, Clyde Space, that exposes the Group to currency risk when translating its statement of financial position and statement of profit or loss including surplus Group value.

If the Swedish krona had grown weaker/stronger by 10 % in relation to the British pound, with all other variables remaining the same, equity at 31 December 2019 would have been kSEK 557 lower/higher as a result of translating Clyde Space's statement of profit or loss and statement of financial position including surplus Group value.

Interest rate risk

Liabilities to credit institutions consist of one loan from Almi in SEK with a fixed interest rate of 6.44 % and that was repaid in its entirety in 2018. There is also one five-year bank loan in GBP (the Clyde Space subsidiary's functional currency). The interest rate for the loan has a fixed component of 5 % and a variable component starting at 0.5 %, as per the bank's base interest rate and does not expose the Group to any significant interest-rate risk pertaining to cash flow. There are also bank overdrafts with floating interest rates.

(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.

At 31 December 2018	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Financial liabilities (excluding derivatives)							
Liabilities to credit institutions	179	538	475	316	-	1,509	1,360
Accounts payable	10,512	549	-	-	-	11,061	11,061
Other liabilities	-	-	-	-	-	0	0
Derivatives	-	-	-	-	-	0	0
Foreign currency forwards	306	-	-	-	-	306	306
Total	**10,997**	**1,087**	**475**	**316**	**0**	**12,876**	**12,727**

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 contractual cash flows	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	-	-	-	-	-	-	-
Foreign currency forwards	188	-	327			515	515
Total	**10,144**	**323**	**668**	**0**	**0**	**11,135**	**11,049**

3.1 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.

Consistent with others in the industry, the Group monitors capital on the basis of the equity/assets ratio, which is a key performance indicator equal to equity in relation to total assets. During 2019, the Group's strategy, which was unchanged from 2018, was to maintain an equity/assets ratio within 60 % to 95 %. The equity/assets ratio for each accounting year was as follows:

31 Dec 2019 85 %
31 Dec 2018 91 %

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 2019, the Group had financial liabilities measured at fair value in the form of foreign currency forwards. At 31 December 2019, the fair value for foreign currency forwards amounted to negative kSEK 515 (2018: negative kSEK 306) 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.

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

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 through a non-cash issue paid in shares in AAC Clyde Space AB (see Note 37 Business combinations for details). 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 Ltd, 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.

Note 5 Segment information

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

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

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

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.

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	**2019**	**2018**
AAC Clyde Space	-13,667	-16,736
Clyde Space	-13,630	-11,745
Other	-	-
Total EBITDA	**-27,297**	**-28,481**

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

	2019	**2018**
Total EBITDA	**-27,297**	**-28,481**
Net financial items	-844	-340
Depreciation and amortisation of tangible and intangible assets	-12,894	-14,784
Other	-	-
Earnings before tax	**-41,035**	**-43,605**

Non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) are allocated by country as follows:

	2019	**2018**
Sweden	117,625	10,324
The UK	319,283	386,480
	436,908	**396,804**

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.

2019	Clyde Space	AAC Clyde Space	Other	Total
Income by segment	40,052	26,383	-	66,435
Income from other segments	-	-	-	0
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**

Revenues of approximately kSEK 9,622 for 2019 are derived from a single external customer. These revenues were attributable to the AAC Clyde Space AB segment.

2018	Clyde Space	AAC Clyde Space	Other	Summa
Income by segment	47,142	30,746	-	77,888
Income from other segments	-	-	-	0
Income from external customers	**47,142**	**30,746**	**0**	**77,888**
Satellite platforms	17,440	-	-	17,440
Subsystems	29,702	24,254	-	53,956
Licences	-	6,492	-	6,492
Total	**47,142**	**30,746**	**0**	**77,888**

Revenues of approximately kSEK 11,716 for 2018 are derived from a single external customer. These revenues were attributable to the Clyde Space segment.

Revenue from external customers broken down by location of the customers:	2019	2018
Sweden	10,795	6,568
The UK	7,095	14,658
Rest of Europe	15,747	23,645
The US	19,409	23,276
Asia	10,779	8,788
Rest of world	3,082	953
Total	**66,907**	**77,888**

Note 7 Remuneration to auditors

kSEK	2019	2018
PricewaterhouseCoopers		
Audit assignment	1,336	986
Auditing services in addition to the assignment	858	151
Tax advice	25	121
Other services	-	1,206
Total	**2,219**	**2,464**

Note 8 Remuneration to employees, etc.

Remuneration to employees (not Board members)	2019	2018
Salary and other benefits	39,981	41,788
Social security contributions	7,174	7,145
Pension costs – defined contribution plans	2,877	3,053
Total	**50,032**	**51,986**

	2019		2018	
Salary and other benefits, social security expenses	**Salary and other benefits (of which bonus)**	**Social security expenses (of which pension expenses)**	**Salary and other benefits (of which bonus)**	**Social security expenses (of which pension expenses)**
Board members, the CEO and other senior executives	6,500 (97)	1,885 (590)	6,130 (350)	1,742 (555)
Other employees	34,255 (32)	8,355 (2,287)	36,198 (0)	5,898 (1,071)
Group Total	**40,755 (129)**	**10,240 (2,877)**	**42,328 (350)**	**7,640 (1,627)**

	2019		2018	
Average number of employees broken down by country	**Number at the end of the reporting period**	**Of whom, men**	**Number at the end of the reporting period**	**Of whom, men**
Sweden	24	20	24	20
The UK	66	47	61	46
The US	-	-	1	1
Group Total	**90**	**67**	**86**	**67**

	2019		2018	
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	4	4
CEO and other senior executives	4	4	5	5
Group Total	**9**	**8**	**9**	**9**

Remuneration and other benefits to senior executives in 2018

2018	Board fees/ Basic salary	Consultant fees	Variable remuneration	Other benefits	Pension expenses	Other remuneration	Total
Chairman of the Board Rolf Hallencreutz	258	701	-	-	-	-	**959**
Board member Per Danielsson	129	-	-	-	-	-	**129**
Board member Johan Bäcke	40	-	-	-	-	-	**40**
Board member Will Whitehorn	121	183	-	-	-	-	**304**
	548	**884**	**0**	**0**	**0**	**0**	**1,432**
CEO Alfonso Barreiro	1,314	-	200	4	280	66	**1,864**
Other senior executives (4)	3,696	-	150	141	390	18	**4,395**
	5,010	**0**	**350**	**145**	**670**	**84**	**6,259**
Total, Group	**5,558**	**884**	**350**	**145**	**670**	**84**	**7,691**

Bonuses were paid in 2018 to some senior executives based on personal targets.

Remuneration and other benefits to senior executives in 2019

2019	Board fees/ Basic 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**
Total, Group	**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.

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.

Warrants

In September 2015 the Board resolved to issue 22,832 TO 2015/2020 warrants. The subscription price was SEK 9.96 per option and subscription was open for all permanent employees and a small group of Board members. Each TO 2015/2020 warrant conveys 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 hold 1,430 warrants. The warrants can be exercised up to and including 31 December 2020. When the remaining warrants are fully exercised, the share capital will increase SEK 37,920, representing a dilution of 1 % under the assumption that the offering is fully subscribed. A total of 19,380 TO 2015/2020 options were subscribed for at the end of 2015, of which 4,290 were subscribed for by members of the Board. There have been no additional warrants since 2015. 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 were exercised.

Number of warrants outstanding, changes

	2019	2018
Outstanding, 1 January	18,960	19,380
Exercised during the year	-	-420
Outstanding, 31 December	**18,960**	**18,960**

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.

Guideline for renumeration to the senior management

Remuneration

The main principle is that remuneration and other employment conditions for members of the senior management shall be based on market terms and competitive in order to ensure that the group can attract and retain competent members of the senior management at a reasonable cost for the company.

The total remuneration for the senior management shall consist of fixed salary, variable remuneration, pension and other benefits. In order to avoid that the senior management is encouraged to take inappropriate risks, there shall be a fundamental balance between fixed and variable remuneration. The fixed salary shall thus be large enough in relation to the total remuneration paid to the senior management in order to render it possible to reduce the variable remuneration to zero. The variable remuneration to a member of the senior management whose function or total remuneration level implies that he or she can have a material effect on the company's risk profile, may not be greater than the fixed salary.

Fixed salary
Each member of the senior management shall be offered a fixed salary on market terms, based on the degree of difficulty of the work performed, as well as experience, responsibilities, com-petence and performances. The fixed salary shall be adjusted annually.

Variable remuneration
In addition to the fixed annual salary, the members of the group's senior management may be offered variable remuneration which shall be paid in cash and based on the result in relation to the company's financial development and/or performance goals within the respective area of responsibility, and be in line with the shareholders' interests. Variable remuneration shall correspond 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 the group's senior management. Should variable remuneration paid have been based on information that later shows to have been evidently incorrect, the company shall have the possibility to request repayment. Variable remuneration shall not entitle to pension, unless otherwise agreed upon.

Variable remuneration shall be based on clear, predetermined and measurable criteria and financial results and predefined goals and operational goals, as well as designed with the objective to promote the company's long-term value creation.

Pension
Members of the senior management shall, unless otherwise specifically agreed upon, be offered pension terms which are in accordance with the market in the country where the members of the senior management are habitually resident.

Variable remuneration shall, as a main rule, not be pension qualifying.

Other benefits
Other benefits such as a company car, additional health insurance and medical benefits shall be limited in value in relation to other remuneration and shall be paid only in so far as it is considered to be in accordance with the market for other members of senior managements holding corresponding positions on the employment market where the member in question is operating.

Long-term share based incentive programmes
The board of directors shall each year consider whether the annual general meeting is to be proposed to adopt a share based incentive program. Proposed incentive programs shall contribute to a long-term value growth.

It shall be possible to offer members of the senior management corresponding incentives as should have been offered pursuant to a share based incentive program, should it show to be practically impossible to effectuate such program in the tax domicile of a member of the senior management, or if the company assesses that such participation cannot take place at reasonable administrative costs or financial contributions. The cost and the investment for the company as well as the incentive and financial outcome for the senior management member in question shall under those circumstances essentially correspond to the share based incentive program, unless the company considers a deviation to be in line with the shareholders' interests.

Notice
The notice period upon notice given by the company shall be no longer than 12 months for all members of the senior management, 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 shall together not exceed 24 months' fixed salary. Any right to redundancy payment shall, as a main rule, decrease in situations where remuneration is received from another employer. Upon notice given by a member of the senior management, the notice period shall generally be 6 months for the CEO and 3-6 months for other members of the senior management.

Remuneration to board members
In so far as board members elected by the general meeting are performing work that stretches beyond the tasks of the board of directors, it shall be possible to pay them for such work. Such remuneration shall be market based and shall be approved by the board of directors.

Scope
These guidelines shall encompass those persons that are members of the senior management of the group during the period when the guidelines are in force. The guidelines are applicable on agreements entered into after the general meeting's decision, and as far as changes are made to existing agreements, thereafter. The board of directors shall be entitled to deviate from the guidelines in individual cases if there are special reasons for doing so.

Information in regards to previously decided remuneration
Except for recurring commitments, there are no remuneration commitments in relation to members of the senior management that have not become due.

Note 9 Other operating income

kSEK	2019	2018
Exchange-rate differences	4,595	1,579
Capital gains on disposal of tangible assets	-	-
Research and development tax deduction	6,577	8,223
Total	**11,172**	**9,802**

Note 10 Other operating expenses

kSEK	2019	2018
Exchange-rate differences	4,993	1,907
Acquisition costs of Clyde Space	-	8,756
Total	**4,993**	**10,663**

Note 11 Financial income and expenses

kSEK		2019	2018
Interest expense – bank loans		-153	-
Interest expense – other		-102	-427
Interest expense – leased assets	Note 29	-692	
Exchange-rate differences		-	-
Other financial expenses		-	-
Total financial expenses		**-947**	**-427**
Interest income		73	87
Exchange-rate differences		-	-
Other financial income		30	
Total financial income		**103**	**87**
Net financial items		**-844**	**-340**

Note 12 Net exchange-rate differences

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

kSEK	2019	2018
Other operating income (Note 9)	4,496	1,579
Other operating expenses (Note 10)	-4,993	-1,907
Net financial items (Note 11)	-	-
Total	**-497**	**-328**

Note 13 Income tax

kSEK	2019	2018
Current tax:		
Current tax on earnings for the year	6	5
Adjustments for current tax of prior periods	-	-
Total current tax	**6**	**5**
Deferred tax (Note 26)		
Origination and reversal of temporary differences	479	919
Effect of change in tax rate	-	-
Total deferred tax	**479**	**919**
Total income tax	**473**	**924**

The 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:

kSEK	2019	2018
Earnings before tax	**-41,035**	**-43,605**
Estimated income tax according to the tax rate in Sweden, 21,4 % (2018: 22 %)	-8,781	-9,593
Tax effects of:		
Non-deductible foreign tax	6	5
Non-deductible expenses	615	483
Difference in foreign tax rates	-61	-221
Effect of changes in tax rates and tax laws	-	-
Loss carry-forwards for the year for which deferred tax benefits are not recognised	8,695	10,250
Other	-	-
Income tax	**473**	**924**

The weighted average tax rate for the Group was 20.2 % (2018: 20.5 %)

Note 14 Investments in subsidiaries

The Group included the following subsidiaries at 31 December 2019:

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 %
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.		California, USA	100 %	100 %

kSEK		
Name:	**Eget kapital**	**Resultat**
Clyde Space Ltd	-5,587	-20,214
Orbitum AB	103	-
AAC Microtec UK Ltd	-	-15
AAC Microtec North America, Inc.	-679	93
AAC Holding North America Inc.	-	-

Note 15 Tangible assets

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

Carrying amount	2019-12-31	2019-01-01
Owned assets	4,109	4,208
Leased assets (Note 29)	14,153	16,400
Total	**18,262**	**20,608**

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

kSEK	Plant and equipment	Inventories	Total
At 1 January 2018			
Cost	1,437	2,087	**3,524**
Accumulated depreciation	-1,142	-1,965	**-3,107**
Carrying amount	**295**	**122**	**417**
2018 financial year			
Opening carrying amount	295	122	**417**
Purchases	16	765	**781**
Acquired through business combinations	1,038	4,322	**5,360**
Sales and disposals	-	-	**0**
Depreciation	-674	-1,676	**-2,350**
Impairment	-	-	**0**
Closing carrying amount	**675**	**3,533**	**4,208**
At 31 December 2018			
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**

Note 16 Intangible assets

kSEK	Goodwill	Capitalised expenditure for development	Customer relationships	Brands	Other intangible assets (patents, order backlog, software etc.)	Total
At 1 January 2018						
Cost	-	25,860	-	-	4,027	**29,887**
Accumulated amortisation	-	-11,434	-	-	-2,593	**-14,027**
Carrying amount	**0**	**14,426**	**0**	**0**	**1,434**	**15,860**
2018 financial year						
Opening carrying amount	-	14,426	-	-	1,434	**15,860**
Purchases	-	1,481	-	-	6	**1,487**
Acquired through business combinations	354,540	441	4,763	14,465	6,413	**380,622**
Sales and disposals	-	-	-	-	-	**0**
Amortisation	-	-7,153	-914	-	-4,313	**-12,380**
Translation differences	6,275	-	136	356	240	**7,007**
Closing carrying amount	**360,815**	**9,195**	**3,985**	**14,821**	**3,780**	**392,596**
At 31 December 2018						
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**	**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	-	-	-	**0**
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**	**15,952**	**2,152**	**418,646**
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**	**15,952**	**2,152**	**418,646**

Impairment tests for goodwill and brands

AAC's strategic steering group assesses the performance of operations based on the Group's two operating segments, Clyde Space and AAC Clyde Space. Goodwill and brands are monitored by the strategic steering group at the operating segment level. Goodwill and brands arose from the acquisition of Clyde Space in January 2018, so no information is provided for the comparative periods. Below is a summary of the goodwill and brands allocated to each operating segment.

Goodwill	2019-12-31	2018-12-31
Clyde Space	281,510	255,269
AAC Clyde Space	99,271	99,271
Total	**380,781**	**354,540**

Brands	2019-12-31	2018-12-31
Clyde Space	20,545	14,821
AAC Clyde Space	-	-
Total	**20,545**	**14,821**

The recoverable amount for goodwill and brands with indefinite useful lives has been determined based on value-in-use calculations. AAC Clyde Space'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:

2019-12-31	AAC Clyde Space	Clyde Space
Pre-tax discount rates* Goodwill	20.1 %	22.1 %
Long-term growth rate** Goodwill	2 %	2 %
Pre-tax discount rate* Brands		22.1 %
Long-term growth rate** Brands		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 % lower, 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.

2018-12-31	Financial assets measured at amortised cost
Assets as per balance sheet	
Accounts receivable	10,138
Contract assets	10,495
Other current receivables	8,988
Cash and cash equivalents	12,237
Total	**41,858**

2018-12-31	Fair value of financial liabilities measured at fair value through profit or loss	Fair value of financial liabilities measured at amortised cost	Total
Liabilities as per the statement of financial position			
Derivatives	306	-	306
Accounts payable	-	11,061	11,061
Liabilities to credit institutions	-	1,360	1,360
Contract liabilities	-	12,083	12,083
Other current liabilities	-	1,720	1,720
Accrued expenses	-	9,428	9,428
Total	**306**	**35,652**	**35,958**

2019-12-31	Financial assets measured at amortised cost
Assets as per the statement of financial position	
Accounts receivable	17,743
Contract assets	10,774
Other current receivables	5,667
Cash and cash equivalents	52,380
Total	**86,564**

2019-12-31	Fair value of financial liabilities measured at fair value through profit or loss	Fair value of financial liabilities measured at amortised cost
Liabilities as per the statement of financial position		
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**

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	2019-12-31	2018-12-31
Foreign currency forward contracts – held-for-trading	515	306
Total	**515**	**306**

The Group uses foreign currency forwards to hedge its exposure to foreign currency risk. The foreign currency forward is valid until 2 March 2020 by kSEK 188 and until 1 October 2021 by kSEK 327.

Note 19 Accounts receivable

kSEK	2019-12-31	2018-12-31
Accounts receivable	17,743	10,138
Less: provision for expected credit losses	-	-
Net accounts receivable	**17,743**	**10,138**

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

kSEK	2019-12-31	2018-12-31
SEK	5,111	216
EUR	1,149	7,941
GBP	2,922	707
USD	8,562	1,274
Total	**17,743**	**10,138**

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

Thus no provisions have been made for expected credit losses.

Note 20 Inventories

kSEK	2019-12-31	2018-12-31
Raw materials	8,517	5,591
Goods in progress	4,591	866
Total	**13,108**	**6,457**

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 2 872 (2018: kSEK 295).

Note 21 Other current receivables

kSEK	2019-12-31	2018-12-31
Tax assets	6,397	1,046
Other	2,409	8,988
Total	**8,806**	**10,034**

Note 22 Prepaid expenses

kSEK	2019-12-31	2018-12-31
Prepaid rent	509	826
Prepaid lease payments	6	25
Other prepaid expenses	1,035	1,829
Other accrued income	4,117	4,118
Total	**5,667**	**6,798**

Note 23 Cash and cash equivalents

kSEK	2019-12-31	2018-12-31
Bank deposits	52,380	12,237
Total	**52,380**	**12,237**

Note 24 Share capital and other contributed capital

kSEK	Number of shares	Share capital	Other contributed capital
At 1 January 2018	**31,709,850**	**1,268**	-
Exercised warrants	7,705	-	-
Non-cash issue	30,466,326	1,219	-
New issue (acquisition of Clyde Space)	6,535,948	262	-
At 31 December 2018	**68,719,829**	**2,749**	**0**
Rights issue	27,487,930	1,099	-
At 31 December 2019	**96,207,759**	**3,848**	**0**

Share capital at 31 December 2019 consisted of 96,207,759 ordinary shares with a quotient value of kSEK 0.04. All shares issued by the Parent Company were fully paid.

Note 25 Borrowings

kSEK	2019-12-31	2018-12-31
Non-current		
Liabilities to credit institutions	771	1,194
Total	**771**	**1,194**
Current		
Liabilities to credit institutions	-	166
Total	**0**	**166**
Total borrowings	**771**	**1,360**

In 2018 and 2019 the Group also held an external bank loan (long- and short-term portions) from HSBC with a tenure of five years and an interest rate of 5 %.

There is also a financing loan for inventories with a remaining tenure averaging three years carrying an interest rate of 10 %.

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

	Carrying amount		Fair value	
kSEK	2019-12-31	2018-12-31	2019-12-31	2018-12-31
Liabilities to credit institutions	771	1,360	771	1,360
Total	**771**	**1,360**	**771**	**1,360**

The Group has the following undrawn borrowing facilities:

	2019-12-31	2018-12-31
Variable interest rate:		
– expires within one year	8,054	7,837

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

Note 26 Deferred tax

Deferred tax is allocated as follows:

kSEK	2019-12-31	2018-12-31
Deferred tax liabilities:		
Deferred tax liability to be paid within 12 months	484	444
Deferred tax liability to be paid after more than 12 months	3,427	3,639
	3,911	**4,083**

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

kSEK	2019-12-31	2018-12-31
Opening balance	**4,083**	**0**
Recognised in the statement of comprehensive income	-478	-919
Deferred tax from business combinations	1	5,002
Exchange-rate differences	306	-
Closing balance	**3,911**	**4,083**

Changes in deferred tax liabilities during the year:

Deferred tax liabilities	Intangible assets	Right-of-use assets	Other	Total
At 1 January 2018	**0**	**0**	**0**	**0**
Recognised in the statement of comprehensive income	-919	-	-	**-919**
Resulting from business combinations	5,002	-	-	**5,002**
Exchange-rate differences	-	-	-	**0**
At 31 December 2018	**4,083**	**0**	**0**	**4,083**
Adjustment on adoption of IFRS 16 (see Note 29)	-	3,339	-	**3,339**
At 1 January 2019	**4,083**	**3,339**	**0**	**7,422**
Recognised in the statement of comprehensive income	-482	-524	-	**-1,006**
Resulting from business combinations	-	-	-	**0**
Exchange-rate differences	306	-	-	**306**
At 31 December 2019	**3,907**	**2,815**	**0**	**6,722**

Deferred tax assets	Lease liability
At 1 January 2018	**0**
Recognised in the statement of comprehensive income	-
Resulting from business combinations	-
Exchange-rate differences	-
At 31 December 2018	**0**
Adjustment on adoption of IFRS 16 (see Note XX)	3,339
At 1 January 2019	**3,339**
Recognised in the statement of comprehensive income	-528
Resulting from business combinations	-
Exchange-rate differences	-
At 31 December 2019	**2,811**

The Group's accumulated loss carry-forwards amounted to kSEK 100,799 (2018: kSEK 86,313). They can be carried forward indefinitely.

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 Group, the criteria for reporting deferred tax assets in IAS 12 were not met.

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:

	2019-12-31	2018-12-31
Contract assets	10,774	10,495
Total contract assets	**10,774**	**10,495**
Contract liabilities	-38,064	-12,083
Total contract liabilities	**-38,064**	**-12,083**

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.

	2019-12-31	2018-12-31
Revenue recognised that was included in the contract liability balance at the beginning of the period:	10,356	4,039

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 2019 was kSEK 143,226. Of these, the executive management team expects 80 % to be fulfilled during the next year and the remaining 20 % in another one to four years (see table below).

Transaction price allocated to remaining performance commitments	2020	2021	2022	2023-2025	Summa
Total expected income:	72,197	43,022	10,756	17,251	**143,266**

Note 28 Accrued expenses and deferred income

kSEK	2019-12-31	2018-12-31
Accrued annual leave	1,702	1,664
Accrued social security contributions	497	559
Accrued salaries	70	200
Accrued payroll tax	352	613
Other external expenses	4,327	7,564
Accrued share issue expenses	-	-
Total	**6,947**	**10,600**

Note 29 Leases

Disclosures for the 2019 financial year, when IFRS 16 Leases was applied

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

kSEK	2019-12-31	2019-01-01
Right-of-use assets:		
Premises	13,938	16,136
Vehicles	215	264
Total	**14,153**	**16,400**

kSEK		
Lease liabilities:		
Non-current	11,253	13,673
Current	2,876	2,727
Total	**14,129**	**16,400**

One right-of-use asset arose during the year

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

	2019
Depreciation of right-of-use assets	
Premises	3,106
Vehicles	54
Total	**3,160**
Interest expenses (included in financial expenses)	692
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)	115

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

The total cash flow for leases was kSEK 3,773.

The tenure for lease assets in Uppsala is until December 2023 and in Glasgow until June 2023 and December 2024.

At 31 December 2019, 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 December 2019 amounted to:	
2020-2024	2,124
2025-2029	18,600
Summa	**20,724**

Extension options are only found in leases for premises.

Note 30 Operating leases

Disclosures pertaining to the comparative year 2018 when IAS 17 Leases applied

Non-cancellable operating leases
The Group 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 for premises and office equipment of kSEK 2,691 are included in the statement of profit or loss for the 2018 financial year.

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

kSEK	2018
Due within one year	3,792
Due between 1 and 5 years	5,385
Due in over 5 years	-
Total	**9,177**

Note 31 Pledged assets

kSEK	2019-12-31	2018-12-31
Chattel mortgages	11,761	11,700
Other	710	1,020
Total	**12,471**	**12,720**

Note 32 Earnings per share

SEK	2019	2018
Earnings per share before dilution	-0.48	-0.65
Earnings per share after dilution	-0.48	-0.65
Reconciliations of earnings used in calculating earnings per share		
Profit attributable to the ordinary equity holders of the Parent Company, kSEK	-40,562	-42,681

Number	2019	2018
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	84,754,455	65,636,012
Adjustments for calculation of diluted earnings per share	–	–
Options		
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	84,754,455	65,916,894

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

Note 33 Related-party transactions

During the period, three Board members invoiced the company kSEK 1,041 (2018: kSEK 884) at market rates for the performance of consultant services linked to the company's operations. Refer also to Note 8.

Note 34 Changes in liabilities from financing activities

kSEK	2018-01-01	Cash inflow	Cash outflow	Non cash flow impact: Additional contracts	Business combination	2018-12-31
Liabilities to credit institutions	2,024	-	-4,055	-	3,391	1,360
Total	**2,024**	**0**	**-4,055**	**0**	**3,391**	**1,360**

kSEK	2019-01-01	Translation differences due to transition to IFRS 16	Cash inflow	Cash outflow	Non cash flow impact: Additional contracts	Translation differences	2019-12-31
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**

Note 35 Adjustments for non-cash items

kSEK	2019-12-31	2018-12-31
Amortisation and impairment	12,894	14,784
Total	**12,894**	**14,784**

Note 36 Effects of transition to IFRS 16 Leases

This note explains the effects on the consolidated financial statements from the application of IFRS 16 Leases.

Adjustments reported in the statement of financial position on 1 January 2019 and effects on 2019 earnings and cash flow

The following adjustments were made in the balance sheet on the transition date (1 January 2019) regarding IFRS 16 Leases:

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

Recognising depreciation of right-of-use assets instead of lease payments had a positive effect of kSEK 498 on operating income. Interest on lease liabilities had a negative effect of kSEK 695 on net financial items. IFRS 16 had a negative effect of kSEK 201 on EBIT. Because most payments are reported as financing activities, cash flow from financing activities is reduced by an equivalent increase in cash flow from operating activities. The interest portion of lease payments remains as cash flow from operating activities and is included in interest paid. The Group recognised a right-of-use asset in the balance sheet and a lease liability at the current value of future lease payments. The leased asset is written off on a straight-line basis over the term of the lease or the useful life of the underlying asset if it is deemed reasonably certain that the Group will assume ownership at the end of the lease. Lease expenses are recognised as depreciation in operating income and interest expenses in net financial items. If the lease includes a low-value asset or ends within 12 months, or includes service components, the payments are recognised as operating expenses in the statement of profit or loss for the period.

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

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

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

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

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

Note 37 Business combinations

All shares in Clyde Space Ltd were acquired on 30 January 2018. The acquisition was through a non-cash issue and following the acquisition the previous owners of Clyde Space hold approximately 49 % of the shares in ÅAC Microtec. The acquisition did not a entail a reverse acquisition, since the previous owners of ÅAC Microtec still retain a controlling interest in ÅAC Microtec. Clyde Space is a quickly-growing pioneer in "New Space" and since early 2005 has supplied complete platforms as well as over 1,000 subsystems for small satellites. It is a market leader in the CubeSat segment. For several years, Clyde has supplied components for and entire satellite platforms and systems to both private and public customers the world over, and has a well-documented collected "flight heritage" of 500 years. Clyde Space is based in Glasgow and has approximately 70 employees.

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

The following table summarises the consideration paid as well as the fair value of assets acquired and liabilities assumed.

Consideration at the acquisition date 30 January 2018	
Cash and cash equivalents	22,152
Equity instruments (30,466,326 ordinary shares)	354,019
Total consideration paid	**376,171**

Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	4,109
Customer relationships	4,763
Brands	14,465
Software	3,400
Order backlog	3,013
Non-current assets	5,663
Inventories	3,135
Accounts receivable	6,450
Other current receivables	2,723
Liabilities to credit institutions	-3,310
Accounts payable	-4,194
Other current liabilities and interim liabilities	-13,709
Deferred tax liabilities	-4,873
Total identifiable net assets	**21,635**
Goodwill	**354,540**

The goodwill of kSEK 354,540 from the acquisition was mainly the result of synergy effects. It will not be deductible for tax purposes.

Synergy effects mainly comprise:

- Increased sales through leverage of the respective companies' sales channels and resources
- Product synergies as the companies have some products of a similar nature and which act as complements
- Cost synergies, such as a shared Board and management, shared sales and marketing costs (e.g. trade fairs)ch marknadsföringskostnader (t ex mässor)

Income and earnings contribution

Revenue from the acquisition included in the consolidated statement of comprehensive income for the period from February to September 2018 totalled kSEK 55,866. The acquisition also contributed negative earnings of kSEK 14,941 over the same period. Had the company been consolidated from 1 January 2018, the consolidated statement of comprehensive income for the period from January to December 2018 income would show a total revenue of kSEK 81,581 and a loss of kSEK 37,191.

Acquisition-related expenses

Acquisition-related costs of kSEK 8,756 are expensed in other operating expenses in the consolidated statement of comprehensive income and in operating activities in the cash-flow statement.

Equity instruments

The fair value of the 30,466,326 ordinary shares issued as part of the consideration paid for ÅAC Microtec was based on the published share price on 30 January 2018 of SEK 11.62 per share.

Purchase consideration – cash outflow	**2018**
Cash flow to acquire subsidiary, net of cash and cash equivalents acquired	
Cash consideration	22,152
Less: Cash and cash equivalents acquired	-4,129
Net outflow of cash and cash equivalents – investing activities	**18,023**

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

Note 38 Significant events after the end of the reporting period

The American company Intuitive Machines ordered batteries for the Nova-C lunar lander for approximately SEK 7 M (GBP 730,000).

By expanding its original order for power systems to include batteries, Intuitive Machines can optimise the lunar lander's power production and storage in the most cost-efficient manner. Delivery is scheduled for 2021.

AAC Clyde Space captured an order for a 6U satellite for a value of approximately SEK 8 M (GBP 642,000) from Orbital Micro Systems (OMS) of the US. The satellite, which was launched within the framework of the British space program, will be included in OMS's commercial GEMS programme which will provide accurate and current weather information to companies all over the world to improve their efficiency and minimise damage caused by extreme weather.

Loft Orbital Solutions ordered power systems for two satellites for delivery in the latter half of 2020, with an order value of approximately SEK 2.5 M (USD 250,000). This follows an earlier order for the Sirius on-board computer system. Sirius enables multiple payloads on Loft Orbital's standardised microsatellites. Loft Orbital Solutions is a US company that offers affordable, reliable and instant access to space through high-performing, reliable satellite platforms with specialised technology for collaborating, handling and operating multiple payloads. The company has quarterly missions planned from 2020 and onward.

AAC Clyde Space, like other companies, is currently facing challenges related to the spread of Covid-19 (the coronavirus). Facilities in Uppsala and Glasgow 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 our employees, while the rest are involved in manufacturing, which is continuing as normal. In the short term, travel bans have been introduced to reduce the risk of infection and to counteract being stranded due to closed borders or quarantines. We have cancelled our appearance at several trade fairs in the near future, and are meeting customers, business partners and other visitors digitally. We are working with our suppliers to ensure the deliveries we need to fill current and future orders. The management team is continuously updating our internal Business Continuity Plan to ensure that we deliver the products and services our customers are expecting in a timely manner. At the time of writing, operations have only been marginally affected by Covid-19, but it is impossible to determine the ultimate effect on the Group. See Note 3.

FINANCIAL REPORTS PARENT COMPANY

PARENT COMPANY INCOME STATEMENT

kSEK	Note	Full year 2019	Full year 2018
Net sales	2	28,346	38,144
Work performed by the company for its own use and capitalised		702	1,481
Other operating income	3	1,151	1,078
TOTAL OPERATING INCOME		**30,199**	**40,703**
Raw materials and subcontractors		-8,915	-9,636
Personnel costs	6	-19,590	-21,516
Other external expenses	5	-15,217	-16,113
Other operating expenses	4	-618	-1,521
EBITDA		**-14,141**	**-8,083**
Depreciation and amortisation of tangible and intangible assets		-4,914	-7,441
EBIT		**-19,055**	**-15,524**
Other interest income and similar profit/loss items	7	978	530
Interest expenses and similar profit/loss items	7	-102	-82
Impairment of shares in subsidiaries	7	-	-92,000
TOTAL PROFIT/LOSS FROM FINANCIAL ITEMS		**876**	**-91,552**
PROFIT AFTER FINANCIAL ITEMS		**-18,179**	**-107,076**
Tax on profit/loss for the period	8	-	-
PROFIT/LOSS FOR THE PERIOD		**-18,179**	**-107,076**
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		**-18,179**	**-107,076**

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

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

kSEK	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Non-current assets			
Intangible assets			
Capitalised expenditure for development	9	5,132	9,038
Patents	9	798	1,104
Total intangible assets		**5,930**	**10,142**
Tangible assets			
Plant and equipment	10	-	138
Inventories, tools and installations	10	-	44
Total tangible assets		**0**	**182**
Financial assets			
Participations in subsidiaries	11	324,592	296,328
Other long-term securities holdings		-	-
Receivables from Group companies	24	10,895	-
Total financial assets		**335,487**	**296,328**
Total non-current assets		**341,417**	**306,652**
Current assets			
Inventories	15	3,269	2,109
Current receivables			
Accounts receivable	14	6,607	3,234
Receivables from Group companies		92	20,981
Current tax assets		530	530
Contract assets	19	3,409	4,087
Other current receivables	16	237	1,028
Prepaid expenses and accrued income	17	5,297	5,926
Total current receivables		**16,172**	**35,786**
Cash and bank balances	13	50,153	11,233
Total current assets		**69,594**	**49,128**
TOTAL ASSETS		**411,012**	**355,780**

PARENT COMPANY STATEMENT OF FINANCIAL POSITION CONT.

kSEK	Note	31 Dec 2019	31 Dec 2018
EQUITY AND LIABILITIES			
Restricted equity			
Share capital		3,848	2,749
Current new issue		-	-
Development expenditure reserve		3,568	7,004
Total restricted equity		**7,416**	**9,753**
Unrestricted equity			
Share premium reserve		594,757	522,582
Retained earnings		-184,380	-80,741
Earnings for the year		-18,179	-107,076
Total unrestricted equity		**392,198**	**334,765**
Total equity		**399,614**	**344,518**
Non-current liabilities			
Liabilities to credit institutions	18	-	-
Total non-current liabilities		**0**	**0**
Current liabilities			
Accounts payable		3,564	3,297
Liabilities to credit institutions	18	-	-
Liabilities to Group companies		103	103
Other current liabilities		898	763
Contract liabilities	19	2,464	2,697
Accrued expenses and deferred income	20	4,369	4,402
Other current liabilities		**11,398**	**11,262**
TOTAL EQUITY AND LIABILITIES		**411,012**	**355,780**

PARENT COMPANY CHANGE IN EQUITY

kSEK	Restricted equity Share capital	 Development expenditure reserve	 Current new issue	Unrestricted equity Share premium reserve	 Retained earnings	 Profit/Loss for the year	 Total equity
Opening balance on 1 January 2018	**1,268**	**9,193**	**34**	**122,015**	**-82,930**	**0**	**49,580**
Profit/loss for the period	-	-	-	-	-	-107,076	**-107,076**
Other comprehensive income	-	-	-	-	-	-	**0**
Total comprehensive income	**0**	**0**	**0**	**0**	**0**	**-107,076**	**-107,076**
Transactions with shareholders							
Current new issue	-	-	-34	-	-	-	**-34**
Directed share issue	261	-	-	49,738	-	-	**49,999**
New issue supported by warrants	-	-	-	40	-	-	**40**
Non-cash issue (see Note 23)	1,220	-	-	352,800	-	-	**354,020**
Issue expenses	-	-	-	-2,011	-	-	**-2,011**
Development expenditure reserve	-	-2,189	-	-	2,189	-	**0**
Closing balance on 31 December 2018	**2,749**	**7,004**	**0**	**522,582**	**-80,741**	**-107,076**	**344,518**
Opening balance on 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							
Current 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 on 31 December 2019	**3,849**	**3,568**	**0**	**594,757**	**-202,560**	**0**	**399,614**

Equity is attributable in its entirety to Parent Company shareholders.

PARENT COMPANY'S STATEMENT OF CASH FLOWS

kSEK	2019	2018
Cash flow from operating activities		
EBIT	-19,055	-15,524
Adjustments for non-cash items (Note 26)	4,914	7,441
Interest received	978	530
Interest paid	-102	-53
Cash flow from operating activities before changes in working capital	**-13,265**	**-7,606**
Cash flow from changes in working capital		
Change in inventory	-1,160	-190
Change in operating receivables	-1,276	-7,925
Change in operating liabilities	136	-2,835
Total changes in working capital	**-2,300**	**-10,950**
Cash flow from operating activities	**-15,565**	**-18,556**
Cash flow from investing activities		
Acquisition of shares in subsidiaries, cash	-	-22,410
Transaction expenses, acquisition of shares in subsidiaries	-	-8,756
Shareholders' contributions	-28,264	
Investments in tangible assets	-	-
Investments in intangible assets	-520	-1,487
Cash flow from investing activities	**-28,784**	**-32,653**
Cash flow from financing activities		
Current new issue	-	-
New issue supported by warrants	-	6
Directed share issue	82,464	50,000
Issue expenses	-9,189	-2,011
Repayment of borrowings	-	-2,024
Changes in loans to Group companies	9,994	-20,118
Cash flow from financing activities	**83,269**	**25,853**
Decrease/increase in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	11,233	36,589
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**50,153**	**11,233**

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.

In conjunction with the transition to reporting under IFRS, the Parent Company has transitioned to apply RFR 2 Financial reports for legal entities when preparing the consolidated financial statements. Explanations for the transition from previously applied accounting policies to RFR 2 and the effects transition had on the statements of comprehensive income and equity are given in Note 27.

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 change 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 consideration.

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 before 1 January 2019
All leases are recognised as operating leases (leases), regardless of whether the contracts are financial or operational. Lease payments are recognised as an expense on a straight-line basis over the term of the lease.

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	2019	2018
The Parent Company reported the following revenue amounts in the balance sheet:		
Subsystems	28,232	31,652
Licences	114	6,492
Total	**28,346**	**38,144**

kSEK	2019	2018
Net sales per region:		
Sweden	11,772	2,581
Europe	3,642	13,040
Rest of world	13,377	18,414
Change in operating liabilities	-445	4,109
Total	**28,346**	**38,144**

kSEK	2019	2018
Change of earned value of ongoing projects per region		
Sweden	-1,114	3,008
Europe	1,099	665
Rest of world	-430	436
Total	**-445**	**4,109**

Note 3 Other operating income

kSEK	2019	2018
Exchange-rate differences	1,151	1,078
Total	**1,151**	**1,078**

Note 4 Other operating expenses

kSEK	2019	2018
Exchange-rate differences	618	1,521
Total	**618**	**1,521**

Note 5 Remuneration to auditors

kSEK	2019	2018
PricewaterhouseCoopers AB		
Audit assignment	963	383
Auditing services in addition to the assignment	807	151
Tax advice	40	121
Other services	-	1,206
Total	**1,810**	**1,861**
Other services presented in the statement of financial position *	0	202

*Issue expenses

Note 6 Remuneration to employees, etc.

kSEK	2019	2018
Salary and other benefits (not Board members)	13,421	14,410
Social security contributions	4,381	4,466
Pension costs – defined contribution plans	1,470	1,626
Total	**19,272**	**20,502**

Salary and other benefits, social security expenses

	2019 Salary and other benefits (of which bonus)	Social security expenses (of which pension expenses)	2018 Salary and other benefits (of which bonus)	Social security expenses (of which pension expenses)
Board members, the CEO and other senior executives	2,532 (0)	1,182 (380)	3,653 (350)	1,591 (555)
Other employees	11,663 (32)	4,858 (1,091)	11,297 (0)	4,585 (1,071)
Parent Company, total	**14,196 (32)**	**6,041 (1,471)**	**14,950 (350)**	**6,176 (1,626)**

All Board fees from 1 January until 31 May 2018, inclusive, are recognised under other external expenses in the statement of profit or loss. Board members who meet certain requirements invoiced the Board until May 2018. From June 2018, Board fees were paid in the form of salary.

	2019 Average No. of employees	Of whom, men	2018 Average No. of employees	Of whom, men
Parent Company, total	**24**	**20**	**24**	**20**

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

	2019 Number at the end of the reporting period	Of whom, men	2018 Number at the end of the reporting period	Of whom, men
Board members	5	4	4	4
CEO and other senior executives	2	2	2	2
Parent Company, total	**7**	**6**	**6**	**6**

Remuneration of senior executives

kSEK	2019	2018
Salaries and other short-term benefits	1,757	3,113
Pension expenses	380	555
Total remuneration of senior executives	**2,137**	**3,668**

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

kSEK	2019	2018
Interest income, Group companies	874	443
Interest income, external	73	87
Exchange-rate differences	-	-
Other financial income	31	-
Total interest income and similar profit/loss items	**978**	**530**
Interest expenses, Group companies	-	-
Interest expenses, external	-102	-82
Exchange-rate differences	-	-
Impairment of shares in subsidiaries	-	-92,000
Total interest expenses and similar profit/loss items	**-102**	**-92,082**
Total earnings from financial items	**876**	**-91,552**

Note 8 Tax on earnings for the year

Recognised tax in the statement of profit or loss:

kSEK	2019	2018
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	2019	2018
Earnings before tax	**-18,179**	**-106,178**
Estimated income tax according to the tax rate in Sweden (21,4%)	-3,890	-23,359
Tax effects of:		
Tax effect of non-deductible expenses	30	20,300
Deductible issuing costs recognised in equity	-	-442
Tax losses for which no deferred income tax asset was recognised	3,860	3,479
Total recognised tax	**0**	**0**

Note 9 Intangible assets

kSEK	Patents	Capitalised expenditure for development	Total
At 1 January 2018			
Cost	4,027	25,860	**29,887**
Accumulated amortisation	-2,593	-11,434	**-14,027**
Carrying amount	**1,434**	**14,426**	**15,860**
2018 financial year			
Opening carrying amount	1,434	14,426	**15,860**
Purchases	6	1,481	**1,487**
Acquired through business combinations	-	-	**0**
Sales and disposals	-	-	**0**
Amortisation	-336	-6,869	**-7,205**
Closing carrying amount	**1,104**	**9,038**	**10,142**
At 31 December 2018			
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	-	-	**0**
Sales and disposals	-	-	**0**
Amortisation	-306	-4,426	**-4,732**
Impairment	-	-	**0**
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**

Note 10 Tangible assets

kSEK	Plant and equipment	Inventories	Total
At 1 January 2018			
Cost	1,437	2,087	**3,524**
Accumulated depreciation	-1,142	-1,965	**-3,107**
Carrying amount	**295**	**122**	**417**
2018 financial year			
Opening carrying amount	295	122	**417**
Purchases	-	-	**0**
Sales and disposals	-	-	**0**
Depreciation	-157	-78	**-235**
Closing carrying amount	**138**	**44**	**182**
At 31 December 2018			
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	-	-	**0**
Sales and disposals	-	-	**0**
Depreciation	-138	-44	**-182**
Impairment	-	-	**0**
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**

Note 11 Participations in subsidiaries

kSEK	2019-12-31	2018-12-31
Opening cost	**388,328**	**3,143**
Shareholders' contributions	28,263	-
Acquisitions	-	385,185
Closing accumulated cost	**416,591**	**388,328**
Opening impairment	92,000	-
Impairment for the year	-	92,000
Closing accumulated impairment	**92,000**	**92,000**
Closing carrying amount	**324,592**	**296,598**

Holdings in subsidiaries are as follows:	Corp. reg. no.	Registered office and place of business/ country of incorporation	Number of shares	Carrying amount 31 Dec 2019	Carrying amount 31 Dec 2018
Directly owned					
Clyde Space Ltd	SC285287	Glasgow, UK	5,211,644	321,448	293,185
Orbitum AB	556677-7086	Uppsala, SE	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.		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	2019-12-31	2018-12-31
Bank deposits	50,153	11,233
Total	**50,153**	**11,233**

Note 14 Accounts receivable

kSEK	2019-12-31	2018-12-31
Accounts receivable	6,607	3,234
Accounts receivable from Group companies	1,227	6,838
Less: provision for expected credit losses	-	-
Net accounts receivable	**7,834**	**10,072**

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

kSEK	2019-12-31	2018-12-31
SEK	6,338	6,082
EUR	-	2,916
GBP	-	971
USD	1,496	103
Total	**7,834**	**10,072**

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.

Note 15 Inventories

kSEK	2019-12-31	2018-12-31
Raw materials	2,519	1,833
Goods in progress	750	276
Total	**3,269**	**2,109**

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 932 in 2019 (2018: kSEK 295).

Note 16 Other current receivables

kSEK	2019-12-31	2018-12-31
Recoverable VAT	159	1,014
Other	78	14
Total	**237**	**1,028**

Note 17 Prepaid expenses and accrued income

kSEK	2019-12-31	2018-12-31
Prepaid rent	601	616
Prepaid lease payments	6	25
Other prepaid expenses	572	1,167
Other accrued income	4,118	4,118
Total	**5,297**	**5,926**

Note 18 Borrowings

kSEK	2019-12-31	2018-12-31
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	2019-12-31	2018-12-31
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

	2019-12-31	2018-12-31
Contract assets	3,409	4,087
Total contract assets	**3,409**	**4,087**
Contract liabilities	-2,464	-2,697
Total current contract liabilities	**-2,464**	**-2,697**

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.

	2019-12-31	2018-12-31
Revenue recognised that was included in the contract liability balance at the beginning of the period:	2,697	4,039

Long-term unfulfilled contracts outstanding
The aggregate amount of the transaction price attributable to contracts that are partially or fully unsatisfied at 31 December 2019 was kSEK 23,967. Of these, the executive management team expects 61 % to be fulfilled during the next year and the remaining 39 % in another year (see table below).

Transaction price allocated to remaining performance commitments	2020	2021	Summa
Total expected income	14,698	9,269	**23,967**

Note 20 Accrued expenses and deferred income

kSEK	2019-12-31	2018-12-31
Pre-paid income	529	-
Accrued annual leave	1,569	1,514
Accrued social security contributions	493	476
Accrued salaries	42	200
Accrued payroll tax	352	613
Other external expenses	1,384	1,599
Total	**4,368**	**4,402**

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 2,485 (kSEK 2,694) are included in the statement of profit or loss for the 2019 financial year.

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

kSEK	2019	2018
Due within one year	2,502	2,475
Due between 1 and 5 years	5,874	1,260
Due in over 5 years	-	-
Total	**8,376**	**3,735**

Note 22 Pledged assets

kSEK	2019-12-31	2018-12-31
Chattel mortgages	11,700	11,700
Total	**11,700**	**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 the Premier segment of First North.

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	2019	2018
a) Sales of goods and services		
Clyde Space Ltd	1,963	7,399
AAC Microtec NA Inc	-	-
AAC Microtec UK Ltd	-	-
Total	**1,963**	**7,399**
a) Purchases of goods and services		
Clyde Space Ltd	-	-
AAC Microtec NA Inc	2,027	2,495
AAC Microtec UK Ltd	-	694
Total	**2,027**	**3,189**

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

kSEK	2019-12-31	2018-12-31
Receivables from related parties		
Clyde Space Ltd	1,228	6,825
AAC Microtec NA Inc	-	-
AAC Microtec UK Ltd	-	-
Total	**1,228**	**6,825**
Amounts due to related parties		
Clyde Space Ltd	-	-
AAC Microtec NA Inc	-	-
AAC Microtec UK Ltd	-	-
Total	**0**	**0**

Loans to related parties

kSEK	2019-12-31	2018-12-31
Loans to Clyde Space Ltd		
Beginning of the year	13,371	-
Loans raised during the year	16,995	13,005
Amount repaid	-21,000	-
Interest income	812	366
Interest received	-1,086	-
At 31 December	**9,092**	**13,371**

kSEK	2019-12-31	2018-12-31
Loans to AAC Holding North America Inc.		
Beginning of the year	760	843
Loans raised during the year	1,977	2,727
Amount repaid	-2,069	-2,810
Interest income	-	63
Interest received	-	-63
At 31 December	**668**	**760**

kSEK	2019-12-31	2018-12-31
Loans to AAC UK		
Beginning of the year	24	-
Loans raised during the year	1	231
Amount repaid	-25	-207
Interest income	-	7
Interest received	-	-7
At 31 December	**0**	**24**

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 repayment of the loan to Clyde Space Ltd was transitioned as part of the shareholders contriburion that was tranferred to the company during the year.

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 1,041 (kSEK 884) at market rates for the performance of consultant services linked to the company's operations.

Note 25 Changes in liabilities from financing activities

kSEK	2018-01-01	Kassainflöde	Kassautflöde	2018-12-31
Liabilities to credit institutions	2,024	-	2,024	-
Total	**2,024**	**0**	**2,024**	**0**

kSEK	2019-01-01	Kassainflöde	Kassautflöde	2019-12-31
Liabilities to credit institutions	-	10,000	10,000	-
Total	**0**	**10,000**	**10,000**	**0**

The company had a short-term loan during the year that was repaid in full.

Note 26 Adjustments for non-cash items

kSEK	2019-12-31	2018-12-31
Depreciation	4,914	7,441
Impairment	-	92,028
Total	**4,914**	**99,469**

Note 27 Significant events after the end of the reporting period

The American company Intuitive Machines ordered batteries for the lunar lander for approximately MSEK 7 (GBP 730,000).

By expanding its original order for power systems to include batteries, Intuitive Machines can optimise the lunar lander's power production and storage in the most cost-efficient manner. Delivery is scheduled for 2021.

Loft Orbital Solutions ordered power systems for two satellites for delivery in the latter half of 2020, with an order value of approximately SEK 2.5 M (USD 250,000). This follows an earlier order for the Sirius on-board computer system. Sirius enables multiple payloads on Loft Orbital's standardised microsatellites. Loft Orbital Solutions is a US company that offers affordable, reliable and instant access to space through high-performing, reliable satellite platforms with specialised technology for collaborating, handling and operating multiple payloads. The company has quarterly missions planned from 2020 and onward.

AAC Clyde Space, like other companies, is currently facing challenges related to the spread of Covid-19 (the coronavirus). Facilities in Uppsala and Glasgow 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 our employees, while the rest are involved in manufacturing, which is continuing as normal. In the short term, travel bans have been introduced to reduce the risk of infection and to counteract being stranded due to closed borders or quarantines. We have cancelled our appearance at several trade fairs in the near future, and are meeting customers, business partners and other visitors digitally. We are working with our suppliers to ensure the deliveries we need to fill current and future orders. The management team is continuously updating our internal Business Continuity Plan to ensure that we deliver the products and services our customers are expecting in a timely manner. At the time of writing, operations have only been marginally affected by Covid-19, but it is impossible to determine the ultimate effect on the Group. See Note 3.

Note 28 Proposed appropriation of profits

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

Share premium reserve	594,758,452
Retained earnings	-184,381,421
Earnings for the year	-18,179,135
Total	**392,197,896**

The Board proposes that the retained profit of SEK 392,197,896 be carried forward.

The consolidated statement of profit or loss and statement of financial position will be presented to the AGM on 2 June 2020 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 5 May 2020

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 5 May 2020

Öhrlings PricewaterhouseCoopers AB

Lars Kylberg
Auditor in Charge

Andreas Mattsson
Public Accountant

AUDITOR'S REPORT

Unofficial translation. 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 2019. The annual accounts and consolidated accounts of the company are included on pages 24-75 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 2019 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 2019 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 statement of comprehencive income 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 1-23 and 78-89. 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 2019 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 5 May 2020
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's regulations and the Swedish Corporate Governance Code as well as internal governance instruments such as the Articles of Association, instructions, policies and guidelines. The company was covered by the Swedish Corporate Governance Code in 2019.

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 one deviation to report in 2019. It pertained to code rule 9.1: the Board's establishment of a remuneration committee. In January 2020 the Board resolved to establish the Remuneration and Audit Committees.

The share and shareholders

Since 21 December 2016, AAC Clyde Space AB's shares have been traded on Nasdaq First North Stockholm under the symbol AAC. The share has been traded on Nasdaq First North Premier Growth Market since March 2019. Erik Penser Bank is AAC Clyde Space AB's Certified Adviser.

There were 96,207,759 shares in issue at 31 December 2019. All shares have equal right to the company's assets and profit.

The number of shareholders at 31 December 2019 was 5,976. The single largest owner was Mediuminvest A/S with 11,750,000 shares corresponding to 12.2% of the capital and votes. More information about AAC Clyde Space's shares and shareholders are in the section The share on page 80.

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 maintained by Euroclear Sweden AB five business days before the general meeting and submit an application to the company according to 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.

Extraordinary General Meeting, 8 May 2019

An Extraordinary General Meeting was held in Uppsala on 8 May 2019. Owners present at the meeting represented 15% of the votes in the company. The meeting decided in accordance with the Board's proposal for a rights issue of a maximum of 27,487,931 shares.

2019 Annual General Meeting

The AGM was held in Uppsala on 23 May 2019. Owners present at the meeting represented 28% of the votes in the company. The CEO, the majority of Board members, the company's auditor, the Chief Strategy Officer and the Chief Financial Officer were also 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, Per Danielsson and William Whitehorn. Rolf Hallencreutz was also elected Chairman of the Board. Anita Bernie was newly elected to the Board.
- for guidelines for remuneration to senior executives
- for appointment policies and instructions for the Nomination Committee
- to authorise the Board to carry out a rights issue

Extraordinary General Meeting, 29 October 2019
An Extraordinary General Meeting was held in Uppsala on 29 October 2019. Owners present at the meeting represented 11% of the votes in the company. The meeting decided to amend the Articles of Association in accordance with the Board's proposals:

- to change the company's name from ÅAC Microtec AB to AAC Clyde Space AB
- to change the share capital limits to a lower limit of SEK 3,600,000 and an upper limit of SEK 14,400,000
- to change the shares outstanding limits to a lower limit of 90,000,000 and an upper limit of 360,000,000

2020 Annual General Meeting
The Annual General Meeting will be held on 2 June 2020 at 1:00 p.m. (CEST) at AAC Clyde Spaces premises, Dag Hammarskjölds väg 48, Uppsala, Sweden. The notice for the AGM published 29 April 2020, including the Board's proposals. More information is available on the company's website, www.aac-clyde.space.

Nomination Committee
Ahead of the 2020 AGM, shareholders representing 30% of the votes formed a Nomination Committee consisting of Tommy Nilsson, Philip Woloszynski Tadayoni, John Wardlaw, Jan Petersen and the Chairman of the Board, Rolf Hallencreutz. Tommy Nilsson is Chairman of the Nomination Committee.

The 2019 AGM adopted instructions for Nomination Committee appointments. The meeting 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 (3/5) 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 five 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.

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. The Board is also 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 2019 AGM decided that the number of members would be five and re-elected Rolf Hallencreutz as Chairman, as well as Per Aniansson, Per Danielsson and William Whitehorn, and elected Anita Bernie as a new member. For information about the Board members' assignments outside the Group and their holdings in AAC Clyde Space, see pages 76-77 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 Board 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.

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 2019, 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.

Board meetings
In 2019, the Board held 13 meetings, one of which was statutory. The Chief Executive Officer, Chief Strategy Officer and Chief Financial Officer, along with the Board's secretary, participate in the Board's meetings. Other members participate as needed to present specific issues.

Chairman of the Board
The Chairman of the Board is elected at the AGM and the 2019 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.

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.

The Group management consists of its Chief Executive Officer (also acting Vice President Business Development), Chief Financial Officer, Chief Strategy Officer, Chief Operating Officer, Chief Technology Officer and UK Head of Finance. For information about the CEO and other members of company management, see page 78.

The Group management meets regularly, usually weekly. 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 2019 AGM, the registered public accounting firm Öhrlings PricewaterhouseCoopers AB was appointed auditor for the period until the 2020 AGM. The authorised public accountant Lars Kylberg was newly elected as Auditor in Charge.

	Elected	Meeting attendance	Fee	Independent in relation to the company and its management	Independent in relation to major shareholders
The Board		13	SEK 900,000	4/5	5/5
Rolf Hallencreutz	2014	13	SEK 300,000	no	yes
Per Aniansson	2014	12	SEK 150,000	yes	Yes
Anita Bernie*	2019	8	SEK 150,000	Yes	yes
Per Danielsson	2014	13	SEK 150,000	Yes	yes
William Whitehorn	2018	13	SEK 150,000	Yes	yes

* Anita Bernie was present at all meetings after her election

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 are 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.

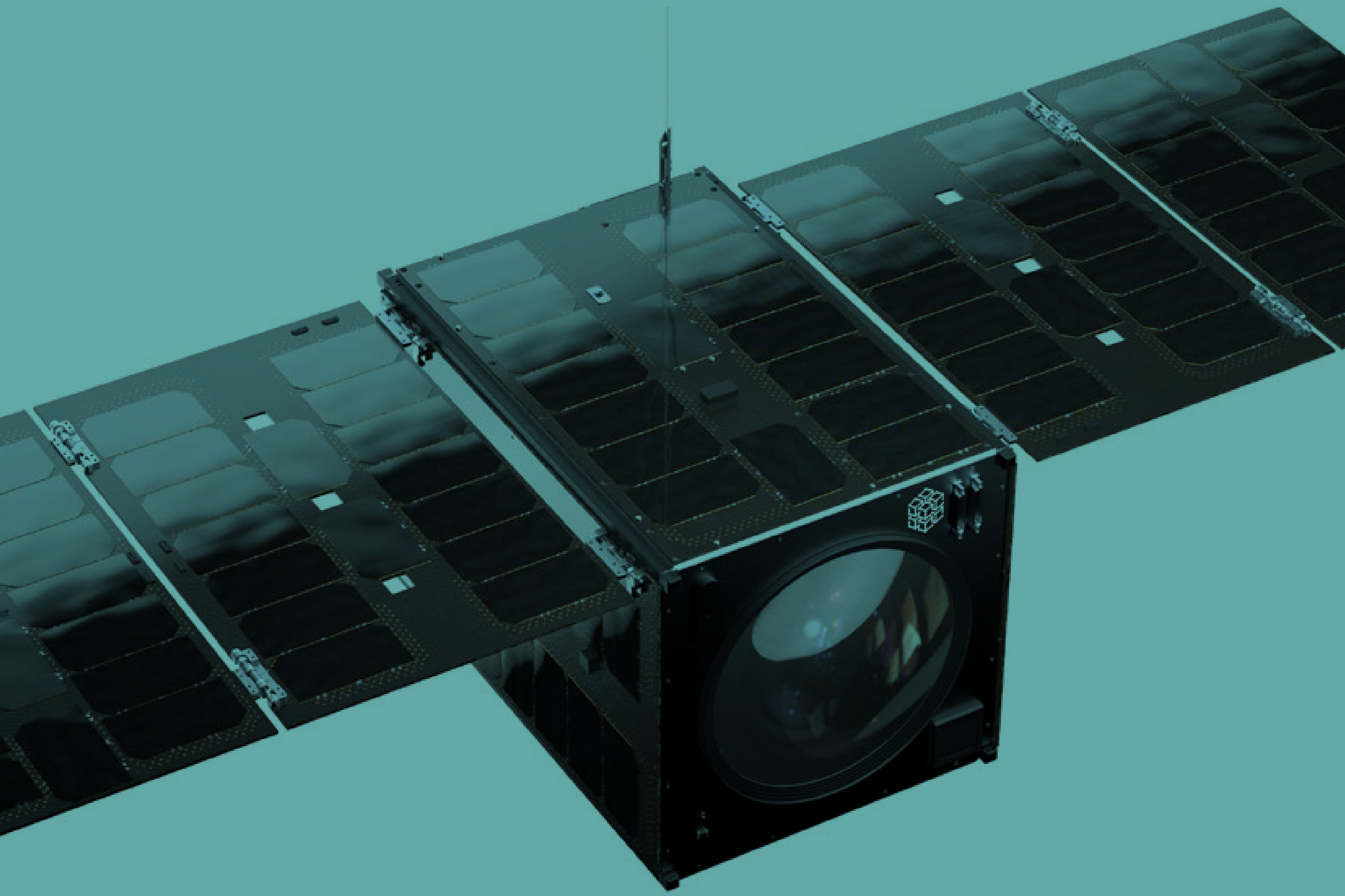
For external communications there are guidelines that ensure that the company adheres to the stringent requirements for accurate information to shareholders and the financial market. AAC Clyde Space's communication is to be accurate, open, and timely and conducted with all stakeholders simultaneously, in accordance with the regulations for NASDAQ First North Stockholm. 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.



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THE BOARD

According to the Articles of Association, the Board of AAC is to consist of no less than three and no more than seven members, with no more than three deputies.

The Board of AAC 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 23 May 2019 and their assignment lasts until the end of the next AGM on 2 June 2020. 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 Articles of Association and the formal work plan developed by the Board. 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 13 minuted meetings were held in 2019, where the Board discussed the company's future development, financial development, budget and funding. Operations in the company were also reviewed.

Rolf Hallencreutz (1950)
Chairman of the Board since 2014.

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

Shares: 227,864 (private and via companies)
Warrants TO 2015/2020: 2,860

Rolf Hallencreutz has experience from start-up and major multinational companies within IT, industrial companies, life science and shipping. Rolf's experiences among other fast-growing companies range from Chairman of the Board, CEO to Sales Management.

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: 100,000
Warrants TO 2015/2020: 1,430

Per Aniansson has previously held leading roles within venture capital-owned companies, most recently as Investment Director for state-owned Fouriertransform, CEO and Financial Management roles within leading venture capital-owned companies.

Independent in relation to the company and company management.

Per Danielsson (1962)
Board member since 2014

MSc at Chalmers University of Technology

Shares: 16,100 (via company)

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)

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. He will retire as Deputy Chairman of Stagecoach Group PLC in June 2020.

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

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 member of the Group Management.

Independent in relation to the company and company management.

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 and acting VP Business Development

MSc 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: 20,744

Luis Gomes has 25 years of experience in the space industry, and specializes in the small satellite field. He most recently comes from the British SSTL where he was last CTO and Executive Director with responsibility for defining and implementing both technical and commercial strategies.

Andrew Strain (1981)
CTO

MEng in Electrical and Electronic Engineering with Business Studies from the University of Strathclyde

Employed since: 2006
Shares: 381,971

In his role as Development Manager at Clyde Space, Andrew has over a decade of experience in developing and delivering small satellites. In his new role as CTO, Andrew contributes with a wide range of relevant skills such as systems engineering knowledge, product development, manufacturing, project management, quality and business development.

Mats Thideman (1963)
CFO and Deputy CEO

MSc, Industrial Economics, Linköping Institute of Technology

Employed since: 2014
Shares: 68,410
Warrants TO 2015/2020: 1,430

Mats Thideman is responsible for finance, IT and staff. Mats has a long experience as 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.).

John Charlick (1973)
COO

BEng Physics and Electronics from the University of Glasgow and MSc in Communications, Control and Digital Signal Processing from the University of Strathclyde

Employed since: 2015
Shares: 419,606

As COO since 2019 John is responsible for delivery of small satellite programmes at AAC Clyde Space. John gained his experience in programme management and product development from his time in multinational organisations Nokia and Motorola and has extensive experience in service delivery and service management. John has worked on many of Clyde Space's key projects, including the company's first mission and Scotland's first satellite, UKube-1.

Craig Clark (1973)
CSO and CEO (pro tem) AAC Microtec North America Inc.

Bachelor's degree in Electrical Engineering from the University of Glasgow and a Master's degree in Satellite Engineering from the University of Surrey

Employed since: 2005
Shares: 8,077,355

In his role as founder of Clyde Space and CSO, Craig provides entrepreneurship and a strategic vision for the Group's growth. Having founded Clyde Space 2005, Craig has established the company as a global leader in CubeSats, introducing cutting-edge new technologies and products that have stimulated the growth of the small satellite market, thus achieving an unprecedented number of ongoing and planned missions. With a combined experience of over 23 years at the forefront of the small satellite market, Craig, along with his management colleagues, will work to maximize business growth potential in the rapidly growing small satellite market.

Ross Lang (1980)
UK Head of Finance

Fellow of the Association of Chartered Certified Accountants

Employed since: 2014
Shares: 75,643

Following his school education, Ross undertook his professional accounting exams whilst working in financial services, qualifying as a member of the Association of Chartered Certified Accountants. Before transition into his role at Clyde Space in 2014, Ross has over a decade of experience providing SME businesses with financial advisory support, covering reporting, funding and strategy. He currently manages the finance, IT, and staff in the Clyde Space entity in the UK.

1U, 3U och 6U AAC Clyde Space kubsatelliter, 2019

THE SHARE AND OWNERS

AAC Clyde Space AB's share is listed on the Nasdaq First North Premier Growth Market under the symbol AAC. The company's goal is for the share to be listed on Nasdaq Stockholm's main list.

Number of shares

Share capital at the end of the year was SEK 3.8 M (2.7) across 96,207,759 shares (68,719,124). All shares carry equal rights to the company's profits and assets.

In January 2018, 7,000 shares were signed under the TO 2015/2020 warrant program for employees and certain Board members.

In June 2019, a rights issue of 27,487,930 shares was carried out.

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. Erik Penser Bank AB is the company's Certified Adviser.

The share rose 43 percent in 2019, from SEK 3.60 one year earlier to SEK 5.16 on the last trading day. The share traded at SEK 6.02 at its highest and 2.62 at its lowest. The market value at the end of the year was SEK 496 M, compared with SEK 261 M one year earlier.

A total of 113,302,313 AAC shares were traded during the year, representing 137 percent of the average number of shares and a daily average of approximately 453,200.

Ownership structure

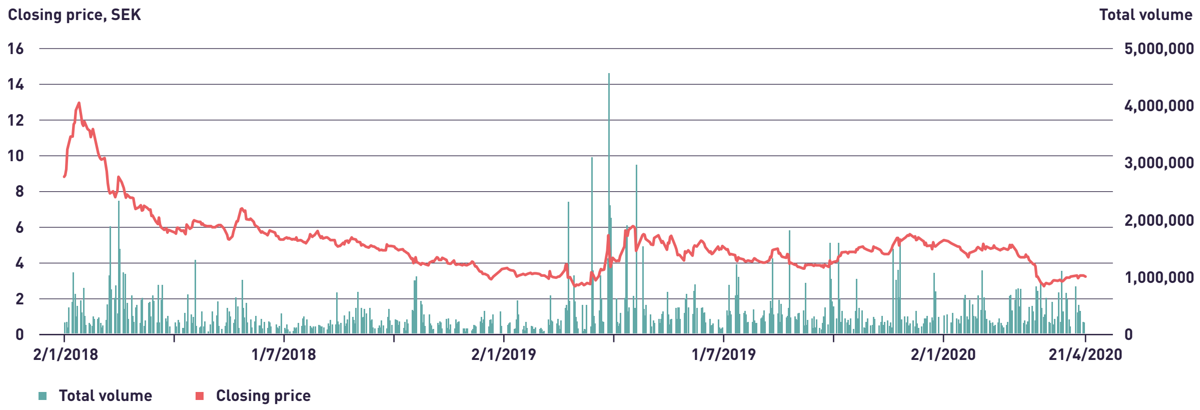
At the end of the year, the ten largest owners controlled approximately 57 percent of the company's shares. The number of shareholders totalled 5,976. The single largest owner is Mediuminvest A/S with 11,750,000 shares. The next largest owner is Fouriertransform AB with 9,883,595 shares.

Shareholders 31 Dec 2019	No. shares	Votes and capital (%)
UBS SWITZERLAND AG, W8IMY	13,944,034	14,5 %
Mediuminvest A/S	11,750,000	12,2 %
Fouriertransform AB	9,883,595	10,3 %
SIX SIS AG, W8IMY	6,290,786	6,5 %
Försäkringsbolaget, Avanza Pension	3,448,563	3,6 %
BNY MELLON SA/NV (FORMER BNY), W8IMY	2,618,839	2,7 %
Nordnet Pensionsförsäkring AB	2,093,058	2,2 %
Kock, John	1,875,521	1,9 %
Petersen, Jan Christer	1,732,536	1,8 %
Danske Bank International S.A.	1,019,800	1,1 %
Others	41,551,027	43,2 %
Total	**96,207,759**	**100,0 %**

Incentive scheme

In September 2015, the Board resolved to issue 22,832 TO 2015/2020 warrants, of which 19,380 were subscribed. The subscription price was SEK 9.96 per option and subscription was open for all permanent employees and a small group of Board members. Each TO 2015/2020 warrant conveys the right to subscribe for 50 new shares in the company at a cash subscription price of SEK 4.80 per share. The warrants can be exercised up to and including 31 December 2020.

As of 31 December 2019, 18,960 TO 2015/2020 warrants remain after 420 were exercised. When the remaining warrants are fully exercised, the share capital will increase SEK 37,920.



DEFINITIONS

Avionics – all electronics necessary for safe and efficient spacecraft performance

Carrier rocket – a rocket launched into space to deliver satellites into orbit around the Earth or on missions further out in space, for example the moon or Mars;

Flight heritage – successful operation of satellites in space and a measure of quality that satellites and components function properly in the environment of space;

CubeSat – a standard for constructing small satellites based on a 1 x 1 x 1 decimetre building block. 1U = 1dm3. CubeSats are often between 1U and 6U in volume

LEO – stands for "low Earth orbit." The minimum altitude for LEO is 100 miles or 160 kilometres above sea level with an orbital period of 88 minutes. The maximum altitude is 2,000 kilometres above sea level and an orbital period of 127 minutes. Orbits lower than 160 kilometres above sea level are usually substantially slowed by the Earth's atmosphere. Over 3,000 kilometres leads to powerful radiation.

Microsatellite – a satellite that weighs between 10 and 100 kg;

Nanosatellite – a satellite that weighs up to 10 kg;

Satellite – an artificial object put into orbit around the Earth

Small satellites ("smallsats") – a collective name given by NASA to all satellites up to 500 kg.

AAC Clyde Space AB
Uppsala Science Park
Dag Hammarskjölds väg 48
751 83 Uppsala
Tel: +46 18-560130

AAC Microtec UK Ltd
Atlas Building, Harwell Campus
Oxfordshire OX11-0QX, UK

AAC Microtec North America Inc.
5028 Garlenda Dr
El Dorado Hills
California 95762, USA

Clyde Space Ltd
Skypark 5
45 Finnieston Street
Glasgow, United Kingdom G3 8JU
Tel: +44 (0) 141 946 4440

AAC CLYDE SPACE

AAC Clyde Space AB (publ)
enquires@aac-clydespace.com
www.aac-clyde.space