AAC CLYDE SPACE

ÅAC Microtec AB

INTERIM REPORT, Q2 2019

Second quarter, April–June 2019 (compared with April–June 2018)

- Net sales amounted to SEK 16.7 M (22.1)
- Operating loss before depreciation/amortisation (EBITDA) totalled SEK -7.7 M (-5.8). EBITDA excluding exchange losses totalled SEK -5.2 M (-5.8)
- Operating loss after depreciations/amortisations totalled SEK -10.8 M (-10.0)
- Loss after tax totalled SEK -11.0 M (-10.0)
- Basic and diluted earnings per share amounted to SEK -0.14 (-0.15)
- Cash flow from operating activities totalled SEK -3.6 M (-14.6)

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

- Net sales amounted to SEK 31.7 M (38.5)
- Operating loss before depreciation/amortisation (EBITDA) totalled SEK -14.2 M (-18.1)
  Profit for the preceding period include acquisition costs of SEK 8.8 M. EBITDA excluding exchange losses and acquisition costs totalled SEK -11.9 M (-9.4)
- Operating loss after depreciation/amortisation totalled SEK -20.7 M (-25.6)
- Loss after tax totalled SEK -21.1 M (-25.3)
- Basic and diluted earnings per share amounted to SEK -0.29 (-0.40)
- Cash flow from operating activities totalled SEK -8.6 M (-27.8)

Information on significant events during the second quarter of 2019

- The rights issue contributed SEK 82.5 M before transaction costs
- Luis Gomes took office as CEO
- Agreement signed on delivering data under the “space as a service” concept to ORBCOMM Inc. The order represented a value of approximately SEK 54 M over five years
- Order for Sirius Avionics of approximately SEK 4.7 M from Loft Orbital Solutions Inc.
- Subsystems successfully put into operation on two Japanese space missions
- Brent Abbott resigned as CEO of AAC Microtec North America Inc. CSO Craig Clark was appointed Acting CEO of the US subsidiary
- The 2019 Annual General Meeting re-elected Board members Rolf Hallencreutz, Will Whitehorn, Per Aniansson and Per Danielsson. Rolf Hallencreutz also re-elected as Chairman of the Board of Directors. Anita Bernie was elected as new Board member.
- US company York Space Systems successfully launched and put its first satellite into operation. The satellite contains on-board computers, mass storage and power systems from AAC Clyde Space

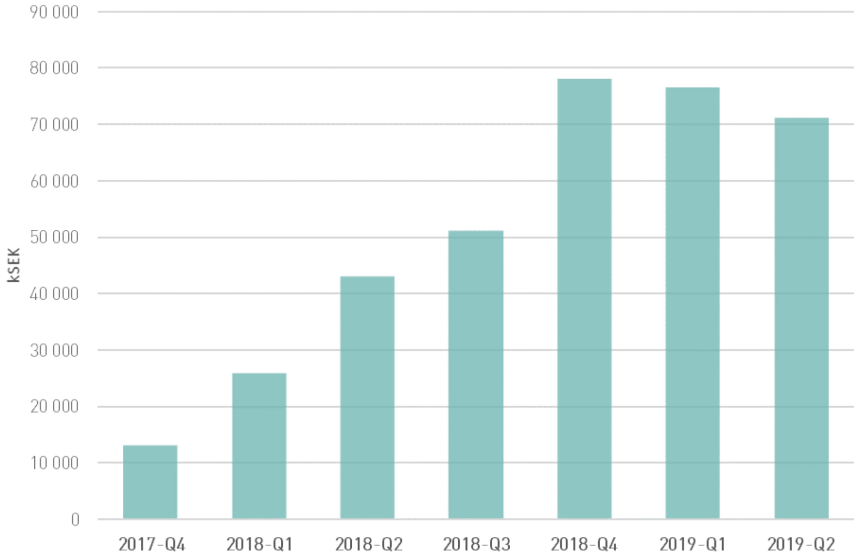
Significant events after the end of the reporting period

- July witnessed the year’s fourth successful launch of a satellite from AAC Clyde Space, when the NSLSat-1 was launched from the Vostochny Cosmodrome in Russia

Financial overview — Group

kSEK	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Full year 2018
Operating loss before depreciation/amortisation	-7 700	-5 839	-14 180	-18 088	-28 481
Operating loss after depreciation/amortisation	-10 824	-9 972	-20 755	-25 608	-43 265
Loss after tax	-11 027	-10 003	-21 107	-25 285	-42 681
Basic and diluted earnings per share, SEK	-0,14	-0,15	-0,29	-0,40	-0,65
Equity/assets ratio, %	88%	92%	88%	92%	91%
Cash flow from operating activities	-3 569	-14 612	-8 638	-27 717	-48 610
Cash flow for the period	63 627	-14 984	61 512	1 425	-24 986
Cash and cash equivalents	73 659	38 650	73 659	38 650	12 237

Net sales – Rolling 12 months



Comments from the CEO

On track, with some challenges

It has now been three months since I joined ÅAC Microtec AB and was given the privilege of leading this company. As I joined, I found a team of extremely knowledgeable, motivated and dedicated people, delivering results with an enthusiasm that I found contagious and exciting. This is a company at the cutting edge of the New Space industry, delivering pioneering projects that are helping to change the world.

Like most companies we also face challenges. This quarter highlighted some of those: our revenue is lower than we aspired to, and some projects have incurred higher costs. The decrease in turnover is mainly due to a delayed start in new projects as the recruitment of personnel has taken time and some on-going projects have taken longer to complete than expected.

We had a good order intake in the second quarter, with a milestone contract for our “satellite-as-a-service” concept with ORBCOMM being the highlight of the quarter. The sales process continues to be long, as is common in not yet fully developed, emerging sectors. It requires patience, but I find it comforting to see that we have a growing and healthy pipeline of potential customers.

We delivered two satellites into orbit during the quarter, including our first 6U CubeSat, and continue to progress several major projects for delivery later this year and in early 2020. We also delivered two Sirius subsystems and power systems into orbit, building the flight heritage for this range of standardized subsystems for small satellites.

We continued to tackle some of our internal challenges: we have now hired eleven new colleagues that will join our team in Glasgow successively during the third quarter, addressing legacy vacancies as well as adding new skills to the team. Our delivery performance continues to improve, reflecting the improved delivery management structure implemented by our COO. To prepare the company for the next level, managing larger volumes, we are strengthening our supply chain management, our quality controls and our operations team.

Another milestone in the quarter was the successful rights issue that raised SEK 82.5 million before fees and costs. The process, led by our CFO, saw the rights issue heavily oversubscribed, showing that investors believe in the future of ÅAC Microtec AB and see the potential for growth of the company.

Bringing together our legacy from ÅAC Microtec in Uppsala with the strong brand and space heritage established by Clyde Space, we announced that we will operate under the name AAC Clyde Space, and introduced a new look and web site. The new branding was unveiled just before the Small Satellite Conference in Logan, Utah that took place in early August. Once again, this conference showed the strength and dynamism of the small satellite sector, and the crucial role played by AAC Clyde Space in it.

Looking ahead to the current quarter, I will continue to implement the plan that I set out when I took over in May: ensure that we successfully deliver our commitments, working with the delivery teams to target a 100 per cent success rate of on-time delivery; target the win of key contracts for our platforms business and ensure that the subsystems business remains strong and expands its customer base. Additionally, we will continue to improve our performance to increase the efficiency of our operations, with the introduction of a new product policy aimed at rationalising our product lines. In parallel, we will continue to evolve our technology and have prepared robust plans for our next generation of avionics. The funding from the rights issue will allow us to implement these plans, as well as support our expansion plans.

I look forward to continuing working hard together with the team to realize our ambitious plans and meet the expectations from our shareholders.

Luis Gomes
CEO

FINANCIAL OVERVIEW

Second quarter 2019
Sales and earnings
Net sales amounted to SEK 16.7 M (22.1). The decrease in sales was primarily due to a delay in the start-up of new orders, since the recruitment of personnel took time, and to more resources than planned being required for ongoing projects.

Operating loss before depreciation/amortisation (EBITDA) totalled SEK -7.7 M (-5.8). EBITDA excluding exchange losses totalled SEK -5.2 M (-5.8). Exchange losses are primarily attributable to Clyde Space, which has a loan in SEK from ÅAC Microtec.

Operating loss after depreciations/amortisations totalled SEK -10.8 M (-10.0). The Group applies IFRS 16 Leases as of 1 January 2019; refer to Note 8. In accordance with the transition rules for IFRS 16, the modified retrospective approach is applied; the comparative figures have therefore not been restated. Operating profit before depreciation/amortisation increased by SEK 1.0 M, and profit after depreciation/amortisation increased by SEK 0.2 M as a result of introducing IFRS 16 Leases.

Loss after tax totalled SEK -11.0 M (-10.0).

January–June 2019
Sales and earnings
Net sales amounted to SEK 31.7 M (38.5).

Operating loss before depreciation/amortisation (EBITDA) totalled SEK -14.2 M (-18.1). EBITDA excluding exchange losses and acquisition costs totalled SEK -11.9 M (-9.4).

Operating loss after depreciations/amortisations totalled SEK -20.7 M (-25.6). The Group applies IFRS 16 Leases as of 1 January 2019; refer to Note 8. In accordance with the transition rules for IFRS 16, the modified retrospective approach is applied; the comparative figures have therefore not been restated. Operating profit before depreciation/amortisation increased by SEK 1.9 M, and profit after depreciation/amortisation increased by SEK 0.3 M as a result of introducing IFRS 16 Leases.

Loss after tax totaled SEK -21.1 M (-25.3).

Investments and financial position
The Group's investments in non-current assets, excluding the 2018 acquisition of Clyde Space, totalled SEK 1.6 M (1.4), of which intangible assets were SEK 0.6 M (1.4). Available cash and cash equivalents as of 30 June 2019 totalled SEK 73.7 M (38.6) and an unutilised bank overdraft facility of SEK 5 M.

Cash flow from operating activities during the period totalled SEK -8.6 M (-27.7) after working capital increased SEK 6.1 M (-9.5). The increase in working capital is due to large payments from customers (prepayments and deliveries) and a grant of GBP 566 k paid from the tax authorities to the Scottish company Clyde Space regarding the new development of subsystems and satellite platforms. Cash flow from the preceding period included acquisition costs of SEK 8.8 M.

Inventory has increased as a result of stockpiling standard products and ongoing product deliveries.

The equity/assets ratio amounted to 88% (92). Since 1 January 2019, the new reporting standard IFRS 16 Leases has been applied, which has resulted in an increase of SEK 15.8 M in the balance sheet total. The Group's equity/assets ratio, excluding IFRS 16, was 91%. Cash flow from the preceding period included acquisition costs of SEK 8.8 M.

Personnel and organisation
There were 89 employees (98) at the end of the period.

Parent Company
Parent Company net sales for the period totalled SEK 14.0 M (14.4), and loss after tax totalled SEK -9.9 M (-11.6). Investments in non-current assets totalled SEK 0.5 M (386), including the acquisition of Clyde Space for SEK 385 M

in the preceding period, of which a share issue of SEK 354 M, cash of SEK 22.4 M, and acquisition costs of SEK 8.8 M. The equity/assets ratio amounted to 97% (97).

Number of shares

ÅAC Microtec's share has been traded on Nasdaq First North Stockholm since 21 December 2016, under the symbol AAC. In March 2019, the listing was moved to the Premier segment on First North. On 31 July 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 profit and assets. On 31 July 2019, the number of shareholders totalled 5,940. A table with the largest shareholders is shown on page 14 in this report.

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

Related party transactions

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

Significant events after the end of the reporting period

In July, the 6U satellite NSLSat-1 was launched into low earth orbit (LEO) from the Vostochny Cosmodrome in Russia. Contact was established with the satellite from the AAC Clyde Space ground station in Glasgow, and all systems are working according to plan. AAC Clyde Space is responsible for the entire assignment concerning NSLSat-1, from satellite design and production to data delivery to the Israeli company NSLComm.

Significant risks and uncertainties

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

COMING REPORTS

Interim report, Jan–Sep 2019	21 Nov 2019
Interim report Jan–Dec 2019	20 Feb 2020

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

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

Glasgow, 22 August 2019

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

This report has not been audited.

Questions may be directed to:
Chairman of the Board Rolf Hallencreutz, *investor@aamicrotec.com*
CEO Luis Gomes, *investor@aamicrotec.com*

About AAC Clyde Space

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

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

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

FINANCIAL STATEMENTS

Condensed consolidated statement of comprehensive income

kSEK	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Full year 2018
Net sales	16 725	22 070	31 663	38 491	77 888
Work performed by the Company for its own use and capitalised	554	527	1 481	1 327	1 481
Other operating income	2 857	2 612	5 354	3 083	9 802
TOTAL	**20 136**	**25 209**	**38 498**	**42 901**	**89 171**
Raw materials and subcontractors	-7 042	-9 328	-14 199	-13 906	-30 961
Personnel costs	-12 410	-15 029	-24 941	-27 118	-53 203
Other external expenses	-5 851	-6 723	-11 242	-11 237	-22 825
Other operating expenses	-2 533	32	-2 296	-8 728	-10 663
Operating loss before depreciation/amortisation	**-7 700**	**-5 839**	**-14 180**	**-18 088**	**-28 481**
Depreciation/amortisation and impairment of tangible and intangible assets	-3 124	-4 133	-6 575	-7 520	-14 784
Operating loss after depreciation/amortisation	**-10 824**	**-9 972**	**-20 755**	**-25 608**	**-43 265**
Financial income	13	30	21	53	87
Financial expenses	-315	-91	-553	-146	-427
Net financial items	**-302**	**-61**	**-532**	**-93**	**-340**
Income tax	99	30	180	416	924
PROFIT/LOSS FOR THE PERIOD	**-11 027**	**-10 003**	**-21 107**	**-25 285**	**-42 681**
Other comprehensive income:					
Items that may be transferred to profit or loss					
Exchange-rate differences	-7 323	6 277	9 766	20 307	6 870
Other comprehensive income for the period	**-7 323**	**6 277**	**9 766**	**20 307**	**6 870**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-18 350**	**-3 726**	**-11 341**	**-4 978**	**-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 of the period attributable to Parent Company ordinary shareholders

SEK	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Full year 2018
Average no. of shares – basic	77 882 472	68 719 359	73 301 151	62 552 196	65 636 012
Number of shares at end of period	96 207 759	68 719 829	77 882 472	68 719 829	68 719 829
Average no. of shares – diluted	77 911 411	69 004 184	73 301 151	62 962 131	65 916 894
Basic and diluted earnings per share	-0,14	-0,15	-0,29	-0,40	-0,65

Condensed consolidated statement of financial position

kSEK	30 June 2019	30 June 2018	31 Dec 2018
ASSETS			
Non-current assets			
Intangible assets	399 496	412 275	392 596
Tangible assets*	19 772	4 862	4 208
Total non-current assets	**419 268**	**417 137**	**396 804**
Current assets			
Inventory	12 962	4 959	6 457
Accounts receivable	7 773	7 140	10 138
Other receivables	23 119	13 457	27 327
Cash and cash equivalents	73 659	38 650	12 237
Total current assets	**117 513**	**64 206**	**56 159**
TOTAL ASSETS	**536 781**	**481 343**	**452 963**
EQUITY AND LIABILITIES			
Equity attributable to Parent Company shareholders	**474 094**	**442 851**	**412 056**
Non-current liabilities			
Liabilities to credit institutions	763	1 543	1 194
Other non-current liabilities**	12 658	–	–
Deferred tax liabilities	4 049	4 715	4 083
Total non-current liabilities	**17 470**	**6 258**	**5 277**
Current liabilities			
Accounts payable	9 853	8 954	11 061
Other liabilities	35 364	23 280	24 569
Other current liabilities	**45 217**	**32 234**	**35 630**
TOTAL EQUITY AND LIABILITIES	**536 781**	**481 343**	**452 963**

* Of which right-of-use assets kSEK 15,537 (30 June 2019)
** Of which lease liability kSEK 12,658 (30 June 2019)

Condensed consolidated statement of changes in equity

kSEK	Share capital	Ongoing new share issue	Other contributed capital	Reserves	Retained earnings incl. profit for the period	Total equity
Opening balance, 1 January 2018	**1 268**	**34**	**141 550**	**75**	**-97 074**	**45 853**
Profit/loss for the period					-25 285	**-25 285**
Other comprehensive income				20 257		**20 257**
Total comprehensive income	**0**	**0**	**0**	**20 257**	**-25 285**	**-5 028**
Transactions with shareholders						
Directed share issue	261	-34	49 772			**49 999**
New share issue supported by warrants		6				**6**
Issue in kind	1 220		352 799			**354 019**
Issue expenses			-1 998			**-1 998**
Closing balance, 30 June 2018	**2 749**	**6**	**542 123**	**20 332**	**-122 359**	**442 851**
Opening balance, 1 January 2018	**1 268**	**34**	**141 550**	**75**	**-97 074**	**45 853**
Profit/loss for the period					-42 680	**-42 680**
Other comprehensive income				6 870		**6 870**
Total comprehensive income	**0**	**0**	**0**	**6 870**	**-42 680**	**-35 810**
Transactions with shareholders						
Directed share issue	261	-34	49 772			**49 999**
New share issue supported by warrants			6			**6**
Issue in kind	1 220		352 799			**354 019**
Issue expenses			-2 011			**-2 011**
Closing balance, 31 December 2018	**2 749**	**0**	**542 116**	**6 945**	**-139 754**	**412 056**
Opening balance, 1 January 2019	**2 749**	**0**	**542 116**	**6 945**	**-139 754**	**412 056**
Profit/loss for the period					-21 108	**-21 108**
Other comprehensive income				9 747		**9 747**
Total comprehensive income	**0**	**0**	**0**	**9 747**	**-21 108**	**-11 361**
Transactions with shareholders						
Preferential rights issue	1 100	0	81 364			**82 464**
Issue expenses			-9 066			**-9 066**
Closing balance, 30 June 2019	**3 849**	**0**	**614 414**	**16 692**	**-160 862**	**474 094**

Equity is attributable in its entirety to Parent Company shareholders.

Condensed consolidated statement of cash flows

kSEK	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Full year 2018
Cash flow from operating activities before changes in working capital	**-8 007**	**-6 126**	**-14 718**	**-18 185**	**-28 826**
Total changes in working capital	4 438	-8 486	6 080	-9 532	-19 784
Cash flow from operating activities	**-3 569**	**-14 612**	**-8 638**	**-27 717**	**-48 610**
Cash flow from investing activities	-375	-574	-1 641	-19 425	-20 316
Cash flow from financing activities	67 571	202	71 791	48 567	43 940
CASH FLOW FOR THE PERIOD	**63 627**	**-14 984**	**61 512**	**1 425**	**-24 986**
Cash and cash equivalents at start of period	10 122	53 617	12 237	37 203	37 203
Exchange-rate differences in cash and cash equivalents	-90	17	-90	22	20
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**73 659**	**38 650**	**73 659**	**38 650**	**12 237**

Cash flow from operating activities before changes in working capital for January–June 2018 include acquisition costs of kSEK 8,756.

Condensed Parent Company income statement

kSEK	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Full year 2018
Net sales	6 485	7 992	14 005	14 414	38 144
Work performed by the Company for its own use and capitalised	–	527	520	1 327	1 481
Other operating income	116	202	1 005	554	1 078
Total operating income	**6 601**	**8 721**	**15 530**	**16 295**	**40 703**
Raw materials and subcontractors	-2 008	-2 277	-4 399	-3 951	-9 636
Personnel costs	-5 430	-5 512	-10 514	-11 014	-21 516
Other external expenses	-3 943	-4 523	-8 105	-8 502	-16 113
Other operating expenses	-145	-134	-442	-325	-1 521
Operating loss before depreciation/amortisation	**-4 925**	**-3 725**	**-7 930**	**-7 497**	**-8 083**
Depreciation/amortisation and impairment of tangible and intangible assets	-1 250	-2 093	-2 453	-4 150	-7 441
Operating loss after depreciation/amortisation	**-6 175**	**-5 818**	**-10 383**	**-11 647**	**-15 524**
Other interest income and similar profit/loss items	312	66	547	92	530
Interest expenses and similar profit/loss items	-93	-15	-100	-40	-82
Impairment of shares in subsidiaries	-	-	-	-	-92 000
Total profit from financial items	**219**	**51**	**447**	**52**	**-91 552**
PROFIT AFTER FINANCIAL ITEMS	**-5 956**	**-5 767**	**-9 936**	**-11 595**	**-107 076**
Tax on profit/loss for the period	-	-	-	-	-
Profit/loss for the period	**-5 956**	**-5 767**	**-9 936**	**-11 595**	**-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**	**0**	**0**	**0**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-5 956**	**-5 767**	**-9 936**	**-11 595**	**-107 076**

Profit/loss for the period tallies with total comprehensive income for the period.

Condensed Parent Company balance sheet

kSEK	30 June 2019	30 June 2018	31 Dec 2018
ASSETS			
Non-current assets			
Intangible assets	8 315	13 167	10 142
Tangible assets	76	294	182
Financial assets	296 328	388 356	296 328
Total non-current assets	**304 719**	**401 817**	**306 652**
Current assets			
Inventory	4 127	2 202	2 109
Accounts receivable	2 960	2 712	3 234
Receivables from Group companies	29 606	4 310	20 981
Other receivables	9 414	3 032	11 571
Cash and bank balances	67 844	37 387	11 233
Total current assets	**113 951**	**49 643**	**49 128**
TOTAL ASSETS	**418 670**	**451 460**	**355 780**
EQUITY AND LIABILITIES			
Equity			
Restricted equity	8 956	10 799	9 753
Non-restricted equity	399 024	429 214	334 765
Total equity	**407 980**	**440 013**	**344 518**
Non-current liabilities			
Other liabilities to credit institutions	-	-	-
Total non-current liabilities	**0**	**0**	**0**
Current liabilities			
Accounts payable	3 280	3 839	3 297
Liabilities to Group companies	103	539	103
Other liabilities	7 307	7 069	7 862
Other current liabilities	**10 690**	**11 447**	**11 262**
TOTAL EQUITY AND LIABILITIES	**418 670**	**451 460**	**355 780**

Shareholders as of 31 July 2019

SHAREHOLDERS	NUMBER OF SHARES	VOTES & CAPITAL
UBS SWITZERLAND AG, W8IMY	13 977 211	14,5%
Fouriertransform AB	9 888 788	10,3%
Mediuminvest A/S	8 989 135	9,3%
SIX SIS AG, W8IMY	8 199 204	8,5%
Försäkringsaktiebolaget, Avanza Pension	3 552 414	3,7%
BNY MELLON SA/NV (FORMER BNY), W8IM	2 108 972	2,2%
Kock, John	1 875 521	1,9%
Nordnet Pensionsförsäkring AB	1 647 098	1,7%
Petersen, Jan Christer	1 388 206	1,4%
Fällström, John	590 000	0,6%
Others	43 991 210	45,7%
TOTAL	**96 207 759**	**100,0%**

NOTES

Note 1 General information

ÅAC Microtec AB (publ) Corp. Reg. No. 556677-0599, hereinafter "ÅAC," is a parent company registered in Sweden with its registered office in Uppsala at Uppsala Science Park, Dag Hammarskjölds väg 48, SE-751 83 Uppsala, Sweden.

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

Note 2 Summary of significant accounting policies

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

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

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

Leases

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

Leases are recognised as right-of-use assets, and a corresponding liability is recognised on the day the leased asset becomes available for use by the Group. Every lease payment is distributed between amortisation of the liability and financial costs. The financial cost is to be 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 amortised on a straight-line basis over the shorter of the useful life of the asset and the term of the lease.

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

The lease liabilities include the present value of the following lease payments:
• fixed fees
• variable lease payments dependent on an index

The lease payments are discounted using the incremental borrowing rate.
Right-of-use assets are measured at cost and include the following:
• the initial measurement of the lease liability
• payments made on or before the point in time when the leased asset is made available to the lessee

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

Options for extending and cancelling leases

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

Note 3 Segment information

Description of segments and primary activities

ÅAC's strategic steering group, consisting of its Chief Executive Officer, Chief Financial Officer, Chief Strategy Officer, Chief Operating Officer, Chief Technology Officer and VP Business Development, corresponds to the chief operating decision-maker for the ÅAC Group and evaluates the Group's financial position and earnings 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:

ÅAC Microtec

ÅAC Microtec develops and produces primarily data processing and power systems for CubeSats and small satellites (1–500 kg).

Clyde Space

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

	Apr–Jun 2019	**Apr–Jun 2018**	**Jan–Jun 2019**	**Jan–Jun 2018**	**Jan–Dec 2018**
ÅAC Microtec	-4,470	-3,695	-6,443	-7,437	-16,736
Clyde Space	-3,230	-2,144	-7,737	-1,895	-11,745
Other*	–	–	–	-8,756	–
Total EBITDA	**-7,700**	**-5,839**	**-14,180**	**-18,088**	**-28,481**

* Acquisition costs of Clyde Space

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

	Apr–Jun 2019	**Apr–Jun 2018**	**Jan–Jun 2019**	**Jan–Jun 2018**	**Jan–Dec 2018**
Total EBITDA	**-7,700**	**-5,839**	**-14,180**	**-18,088**	**-28,481**
Net financial items	-302	-61	-532	-93	-340
Depreciation and amortisation of tangible and intangible assets	-3,124	-4,133	-6,575	-7,520	-14,784
Other	–	–	–	–	–
Loss before tax	**-11,126**	**-10,033**	**-21,287**	**-25,701**	**-43,605**

Note 4 Net sales

Income

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

April–June 2019

	Clyde Space	ÅAC Microtec	Other	Total
Income by segment	10,375	6,350	–	16,725
Income from other segments	–	–	–	0
Income from external customers	**10,375**	**6,350**	**0**	**16,725**
Satellite platforms	4,202	–	–	4,202
Subsystems	6,173	6,236	–	12,409
Licenses/Royalties	–	114	–	114
Total	**10,375**	**6,350**	**0**	**16,725**

April–June 2018

	Clyde Space	ÅAC Microtec	Other	Total
Income by segment	14,078	7,992	–	22,070
Income from other segments	–	–	–	0
Income from external customers	**14,078**	**7,992**	**0**	**22,070**
Satellite platforms	7,286	–	–	7,286
Subsystems	6,792	5,618	–	12,410
Licenses/Royalties	–	2,374	–	2,374
Total	**14,078**	**7,992**	**0**	**22,070**

January–June 2019

	Clyde Space	ÅAC Microtec	Other	Total
Income by segment	17,884	13,779	–	31,663
Income from other segments	–	–	–	0
Income from external customers	**17,884**	**13,779**	**0**	**31,663**
Satellite platforms	7,861	–	–	7,861
Subsystems	10,023	13,665	–	23,688
Licenses/Royalties	–	114	–	114
Total	**17,884**	**13,779**	**0**	**31,663**

January–June 2018

	Clyde Space	ÅAC Microtec	Other	Total
Income by segment	24,077	14,414	–	38,491
Income from other segments	–	–	–	0
Income from external customers	**24,077**	**14,414**	**0**	**38,491**
Satellite platforms	12,733	–	–	12,733
Subsystems	11,344	12,040	–	23,384
Licenses/Royalties	–	2,374	–	2,374
Total	**24,077**	**14,414**	**0**	**38,491**

January–December 2018

	Clyde Space	ÅAC Microtec	Other	Total
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**

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

Per 30 June 2019 no financial instruments measured at fair value exists. In earlier periods, financial liabilities were measured at fair value in the form of currency futures. At 30 June 2018, the fair value for currency futures amounted to kSEK -315 and was recognised in other current liabilities in the balance sheet, and changes in value were recognised in other operating expenses in the statement of comprehensive income. Fair value for currency futures are found in Level 2 of the fair value hierarchy.

Definitions of the levels in the fair value hierarchy:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as price listings) or indirectly (i.e. derived from price listings).
Level 3: Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Note 6 Related party transactions

During the period, Board members invoiced the company kSEK 260 under market conditions for the performance of consultant services linked to the Company’s operations. The services were performed primarily by the Chairman of the Board.

Note 7 Earnings per share

	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jan–Dec 2018
SEK					
Basic earnings per share	-0.14	-0.15	-0.29	-0.40	-0.65
Diluted earnings per share	-0.14	-0.15	-0.29	-0.40	-0.65
Measurements used in calculating earnings per share					
Earnings attributable to Parent Company shareholders used in basic and diluted earnings per share:					
Earnings attributable to Parent Company shareholders, kSEK	-11,027	-10,003	-21,107	-25,285	-42,681
Numbers					
Weighted average number of ordinary shares for calculating basic earnings per share	77,882,472	68,719,359	73,301,151	62,552,196	65,636,012
Adjustment for calculating diluted earnings per share	–	–	–	–	–
Warrants					
Weighted average number of ordinary shares used as denominator in calculating diluted earnings per share	77,911,411	77,911,411	73,301,151	77,911,411	65,916,894

No dilution effect Jan–Jun 2019, since the average exchange rate was lower than the options’ subscription price and earnings for Jan–Jun are negative.

Note 8 New accounting policies: IFRS 16 Leases

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

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

*refers to prepaid expenses

IFRS 16 has had a minimal impact on operating profit, and a minimal impact on earnings after financial items. The Group applies IFRS 16 Leases as of 1 January 2019, which resulted in amended accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition rules for IFRS 16, the Group applies the modified retrospective approach and has therefore not restated the comparative figures. On transition, all right-of-use assets are 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 period for right of use was determined with the help of knowledge after the fact as regards, for example, extension options and cancellation clauses.

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

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

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

Note 9 Effects at transition to International Financial Reporting Standards (IFRS)

The interim report for the third quarter of 2018 was ÅAC Microtec AB's (ÅAC's) first report prepared in accordance with IFRS. No financial information prepared in accordance with IFRS was previously published for the first and second quarters of 2018.

When the balance sheet of 30 June 2018 was prepared in accordance with IFRS, the amounts reported in previous interim reports in accordance with BFNAR 2012:1 *Annual Report and Consolidated Accounts* (K3) were adjusted. An explanation for how the transition from previously applied accounting policies to IFRS impacted the Group's earnings and financial position is shown in the tables below and the accompanying notes. For detailed information about the transition to IFRS, refer to Note 36, Effects of transition to IFRS, in the 2018 Annual Report.

Reconciliation of equity as at 30 June 2018

		30 June 2018		
kSEK	**Notes**	**According to previous accounting policies**	**Effect of transition to IFRS**	**In accordance with IFRS**
ASSETS				
Non-current assets				
Intangible assets	a,c)	**403,373**	**8,902**	**412,275**
Tangible assets		**4,862**	**–**	**4,862**
Financial assets	b)	**28**	**-28**	**–**
Current assets				
Inventory		**4,959**	**–**	**4,959**
Current receivables				–
Accounts receivable		7,140	–	7,140
Other current receivables		13,457	–	13,457
Cash and cash equivalents		38,650	–	38,650
Total assets		**472,469**	**8,874**	**481,343**
EQUITY AND LIABILITIES				
Equity	a,b,c,d)	**438,692**	**4,159**	**442,851**
Non-current liabilities				
Liabilities to credit institutions		1,543	–	1,543
Deferred tax liabilities	d)	–	4,715	4,715
Current liabilities				
Accounts payable		8,954	–	8,954
Other current liabilities		23,280	–	23,280
Total equity and liabilities		**472,469**	**8,874**	**481,343**

Reconciliation of total comprehensive income for the periods 1 January–30 June 2018 and 1 April–30 June 2018

		1 January–30 June 2018			1 April–30 June 2018		
kSEK	**Notes**	**Income statement (according to previous accounting policies)**	**Effect of transition to IFRS**	**In accordance with IFRS**	**Income statement (according to previous accounting policies)**	**Effect of transition to IFRS**	**In accordance with IFRS**
Net sales		38,491	–	38,491	22,070	–	22,070
Work performed by the Company for its own use and capitalised		1,327	–	1,327	527	–	527
Other operating income		3,083	–	3,083	2,612	–	2,612
Total		**42,901**	**–**	**42,901**	**25,209**	–	**25,209**
Raw materials and subcontractors		-13,906	–	-13,906	-9,328	–	-9,328
Personnel costs		-27,118	–	-27,118	-15,029	–	-15,029
Other external expenses	c)	-11,237	–	-11,237	-6,723	–	-6,723
Other operating expenses		28	-8,756	-8,728	32	–	32
Operating loss before depreciation/amortisation		**-9,332**	**-8,756**	**-18,088**	**-5,839**	–	**-5,839**
Depreciation/amortisation and impairment of tangible and intangible assets	a,c)	-21,899	14,379	-7,520	-12,781	8,648	-4,133
Operating profit/loss after depreciation/amortisation		**-31,231**	**5,623**	**-25,608**	**-18,620**	**8,648**	**-9,972**
Financial income		53	–	53	30	–	30
Financial expenses		-146	–	-146	-91	–	-91
Net financial items		**-93**	**–**	**-93**	**-61**	–	**-61**
Profit/loss before tax		**-31,324**	**5,623**	**-25,701**	**-18,681**	**8,648**	**-10,033**
Income tax	c,d)	-4	420	416	-226	256	30
Profit/loss for the period		**-31,328**	**6,043**	**-25,285**	**-18,907**	**8,904**	**-10,003**
Other comprehensive income							
Items that may be transferred to profit or loss							
Exchange-rate differences	e)	–	20,307	20,307	–	6,277	6,277
Total comprehensive income for the period		**-31,328**	**26,350**	**-4,978**	**-18,907**	**15,181**	**-3,726**

a) Capitalisation of development expenses

In accordance with IFRS 1 First-time Adoption of International Financial Reporting Standards, an internally prepared intangible asset that meets the criteria on page 57 of IAS 38 Intangible Assets must be recognised in the balance sheet upon the transition to IFRS even if the payments were expensed in accordance with previously applied accounting policies. At the time of the transition to IFRS, ÅAC identified additional intangible assets in the form of development expenses that meet the criteria on item 57 of IAS 38 and are to be capitalised in the balance sheet. In addition, state subsidies from the Swedish National Space Agency were received for this asset. For detailed information about the transition effects regarding these items, refer to Note 36 in the 2018 Annual Report. The adjusted balance for IFRS as at 31 December 2017 was kSEK 2,470. In the second quarter of 2018, kSEK 224 in amortisation was added (the accumulated amortisation for the period January–June 2018 was kSEK 448), which led to a total adjustment of kSEK 2,021 on 30 June 2018 for intangible assets.

In the interim period from 1 January to 30 June 2018, no additional development expenses were identified that meet the criteria of item 57 of IAS 38.

b) Impairment of unlisted shares

In accordance with accounting policies previously applied, ÅAC recognised a small holding (3.1% of the shares) in an unlisted company. In accordance with IFRS 9 Financial Instruments, holdings in an equity instrument are measured at fair value with changes in value in profit or loss or through other comprehensive income. Fair value at 1 January 2017 was deemed to be SEK 0, which is why the holding of kSEK 28 was written down on the transition date to IFRS. For detailed information, refer to Note 36 in the 2018 Annual Report.

c) Restatement of Clyde Space business combination and add-back of amortisation of goodwill

Clyde Space Ltd was acquired on 30 January 2018. The acquisition was restated in accordance with IFRS 3 Business Combinations and the most material difference between the previously applied accounting policies and IFRS 3 is that in accordance with the latter, intangible assets were identified separately from goodwill to a greater extent. Acquisition costs occurred in this connection and were recognised as a part of consideration transferred in accordance with previously applied accounting policies. Under IFRS, these costs must be recognised in the statement of comprehensive income.

Under previously applied accounting policies, goodwill is amortised over the period that it is expected to generate economic benefits. Under IFRS, goodwill is not amortised; instead an impairment test is conducted annually. As a result of goodwill not being amortised in accordance with IFRS, the amortisation recognised during the period in accordance with previously applied accounting policies are added back. The add-back of goodwill amortisation during the period impacted profit for the year and total comprehensive income.

The table below shows the adjustments made to intangible assets that were recognised in accordance with previously applied accounting policies as a result of the restatement of the acquisition analysis in accordance with IFRS 3, as well as the impact regarding capitalisation of development expenses described in a) above. For detailed information concerning the acquisition of Clyde Space, refer to Note 29 Business combinations in the 2018 Annual Report.

kSEK	
Intangible assets in accordance with previously applied policies, as at 30 June 2018	**403,373**
Reclassification of acquisition-related costs, recognised in the statement of comprehensive income in accordance with IFRS	-8,756
Deferred tax on additional intangible assets	4,873
Add-back of amortisation, acquisition goodwill	16,667
Additional amortisation of intangible assets, acquisition	-2,213
Spacewire, net after amortisation	2,021
Adjustment, translation differences	-3,691
Total IFRS adjustments	***8,902***
In accordance with IFRS as at 30 June 2018	**412,275**

The total effect on depreciation/amortisation in the statement of comprehensive income for 1 January–30 June 2018 was kSEK 14,379 (for 1 April–30 June 2018, the effect was kSEK 8,648) and consists of add-back of goodwill amortisation, additional amortisation of intangible assets and additional amortisation for capitalised development expenses.

d) Deferred tax

Deferred tax is recognised on all IFRS adjustments in the event that the adjustments result in temporary differences in the balance sheet. In the restatement of the business combination of Clyde Space Ltd in accordance with IFRS 3, further additional intangible assets were identified, for which a deferred tax liability totalling kSEK 4,715 net was recognised after the effect of currency restatements for 1 January–30 June 2018 totalling kSEK 262 (for 1 April–30 June 2018 the effect was kSEK 79) and the dissolution of deferred tax due to additional amortisation for 1 January–30 June 2018 of kSEK 420 (for 1 April–30 June 2018 the effect was kSEK 256) recognised under Income tax in the statement of comprehensive income. For detailed information, refer to Note 29 Business combinations in the 2018 Annual Report.

e) Translation differences for the period

Under IFRS, translation differences are recognised in other comprehensive income and carried forward in the Reserves item under equity. In subsequent periods, translation differences regarding translation of foreign subsidiaries are recognised in Other comprehensive income, and brought forward in Reserves under equity. Amounts reversed in the statement of comprehensive income above refer to amounts that, in accordance with previously applied accounting policies, were recognised directly against retained earnings, including an adjustment of translation differences due to IFRS adjustments of intangible assets (see above).

For effects of the Parent Company's transition to RFR 2 Financial Reporting for Legal Entities, refer to Note 27 Effects from Parent Company transition to RFR 2 in the 2018 Annual Report.

Note 10 Effects from Parent Company transition to RFR 2, *Financial Reporting for Legal Entities*

This is the fourth interim report for ÅAC Microtec AB prepared in accordance with RFR 2. The accounting policies found in the 2018 Annual Report were applied when the income statement and balance sheet were prepared for the comparative period presented on 30 June 2018. The Parent Company transitioned to accounting in accordance with RFR 2 on 1 January 2017, which is the same date of the Group's transition to accounting in accordance with IFRS. The transition has had the following effects on Parent Company equity as at 30 June 2018:

kSEK	**30 June 2018**
Opening equity in accordance with adopted balance sheet as at 30 June 2018	437,991
Effect of change in accounting policies to RFR 2 (incl. deferred tax):	
Capitalised development expenses	2,022
Opening equity adjusted in accordance with new accounting policy	440,013

For detailed information, refer to the description in the Group's transition note, Note 9 Effects from transition to accounting in accordance with IFRS.

Note 11 Financial performance indicators

Definitions of key performance indicators	
Equity/assets ratio, %	Equity divided by the balance sheet total
EBITDA	Operating profit before depreciation/amortisation