ANNUAL REPORT 2019

GOMSPACE

The English text is an unofficial translation and in case of any discrepancies between the Swedish text and the English translation, the Swedish text shall prevail.

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Introduction to our Business

Comments from

Niels Buus

CEO

The year 2019 was a challenging year for GomSpace. At the beginning of the year, we noted that financing of the start-ups in the new space segment was slower than anticipated late 2018. Some of GomSpace's customers were unable to obtain financing of their business case and as a result they decided to slow down execution of their projects to avoid a fast cash burn. Our customer Sky and Space Global was one of the customers who did not succeed in being financed and therefore we initially put the project on hold and later on removed the customer from our orderbook.

The above situation meant that we had an overcapacity and we needed to focus more on reducing costs to ensure that we will improve our margins. Reaching mid-2019 we took action on this and performed redundancies before the summer holidays, reducing staff from 231 employees at the beginning of the year to 134 employees at the end of 2019. We will continue our focus on a positive cash flow as well as an efficient organization – we believe that we have a sound restructuring plan which will increase efficiency in engineering and manufacturing, supporting a strong sales performance and reducing overhead costs.

The result for 2019 was a loss of T.SEK 151,663 and the gross margin was 13%. The low gross margin was in particular related to the low order intake in the first three quarters as well as cost of goods sold and development costs had a negative effect due to overcapacity in Manufacturing. At the end of 2019, sales gained a positive momentum after a slow third quarter and we were also able to reduce our cash burn during the year, it was reduced to SEK 23 million in Q4 2019.

As a consequence of performing a strategic review of our business, we performed a write-down of SEK 23 million in Aerial and Maritime Ltd. The decision to perform this write-down was made based on the fact that Aerial & Maritime Ltd. failed in getting financed and therefore the company has been restricted in its operation in the last 12 to 18 months.

We remain very optimistic about the long-term potential for the nanosatellite market – we see new startup companies with new services that aim for making satellite constellations. Moreover, the governmental market shows sign of growth and many countries are formulating national space strategies which include nanosatellites for science and national security. The European Space Agency (ESA) has also shown an increasing interest in the nanosatellite segment, most likely a sign that the innovation of nanosatellites is important to keep up with USA and China in this segment. Throughout 2019 we have started collaboration with ESA on a number of projects, we believe this will build up our technology level and thereby we will be able to capture the established professional customers.

Going forward we will now focus fully on optimizing the performance of the company and with an order backlog of SEK 153 million we are well positioned to reach our 2020 operational goals.

Niels Buus, CEO

Gomspace at a Glance

Mission

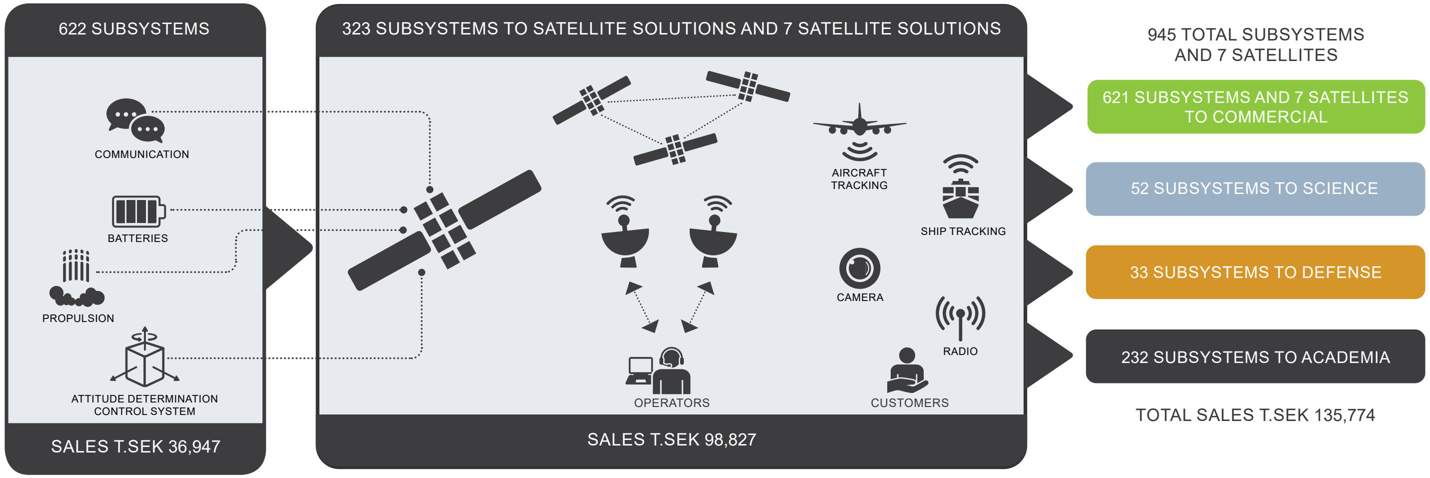
We help teams across the globe achieve their goals in space

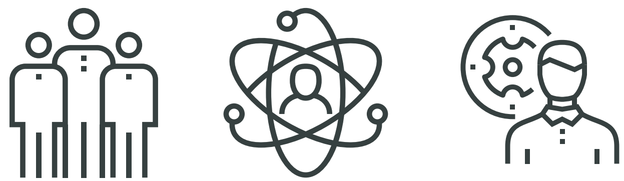
Vision

To make nanosatellites the preferred choice for customers who have demands for professional mission critical radio-based surveillance and communications solutions

Core strategy

Independent horizontal supplier of technology for commercial service providers and government, education and research institutions – and spin-out activities in new untouched domains



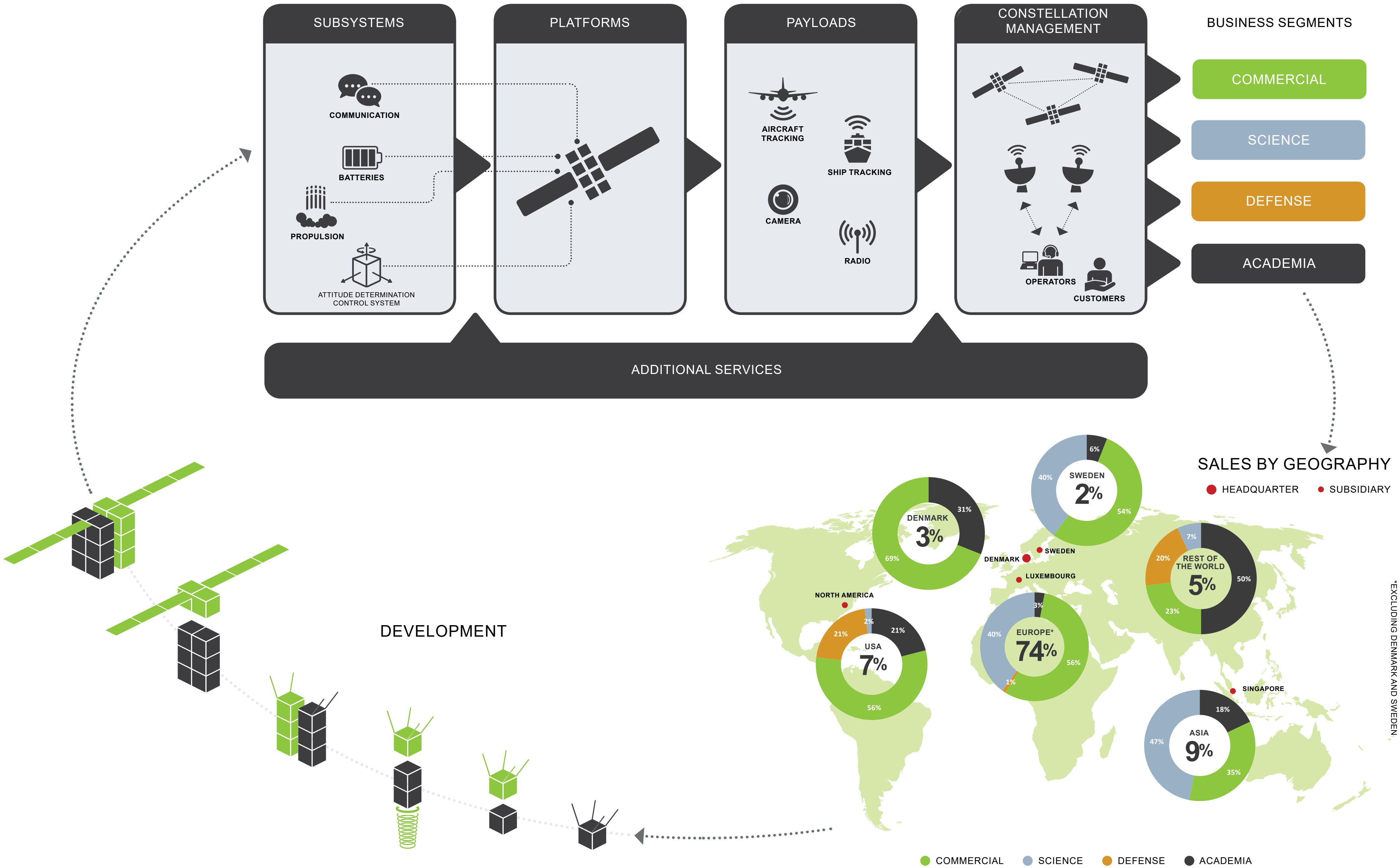


134 employees

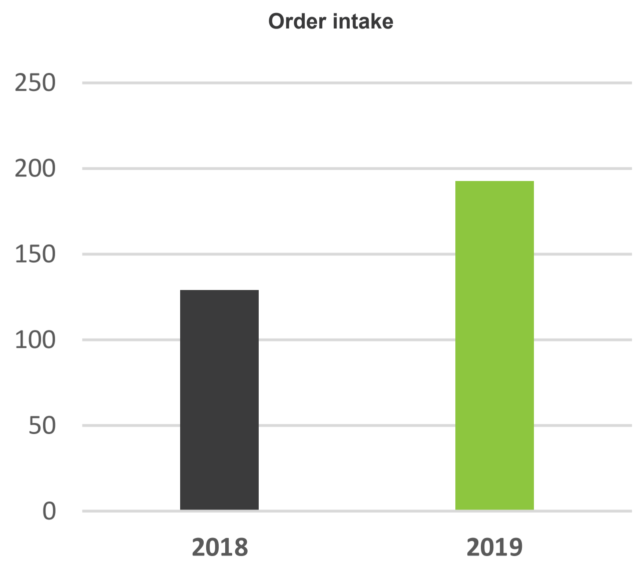
46,352 development hours

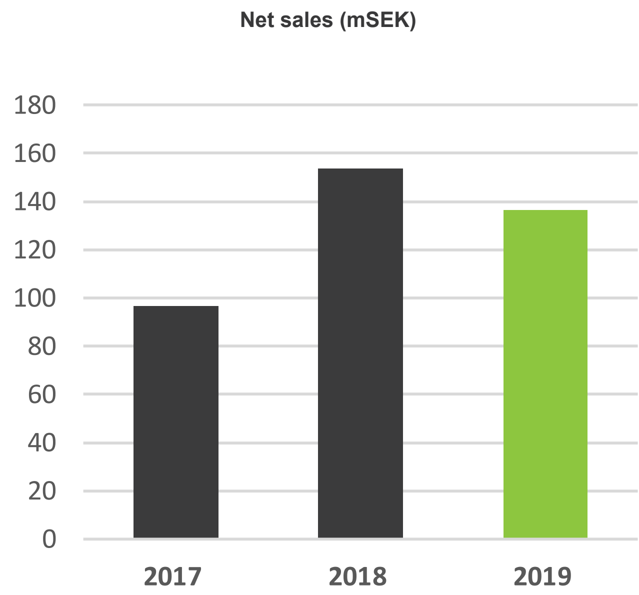
78,423 hours to cost of goods sold

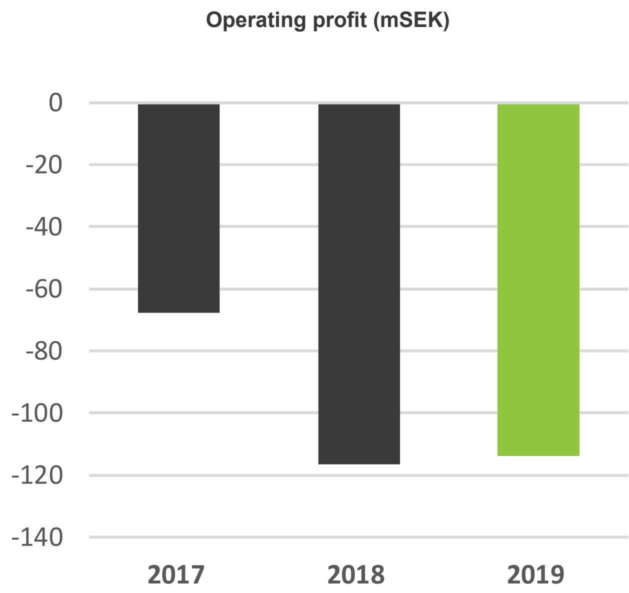
Business Model



Key results 2019







Order intake increased 49% to SEK 192.4m

Net sales decreased 11% to SEK 136.3m

Operating loss decreased 2% to SEK 113.9m

Environmental, Social and Governance Figures

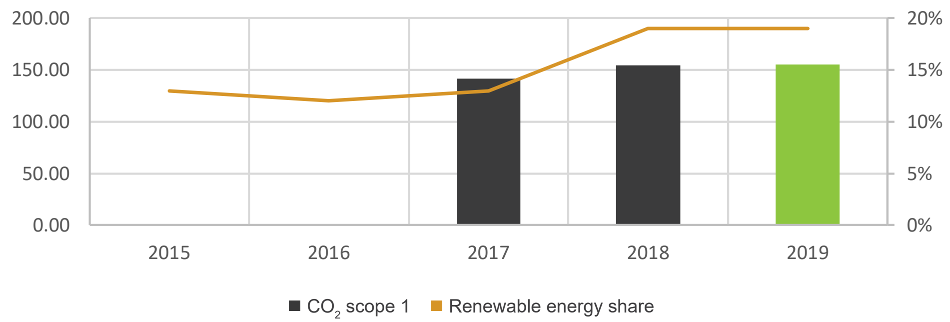
GomSpace ESG data is calculated and aggregated at Group level. The data points are based on the Center for ESG Research's Integrated Ratio Guideline. GomSpace has aggregated data within each of the indicated data points across the whole Group.

GomSpace ESG data

Section	Unit	2019	2018	2017	2016	2015
Environmental						
CO_2 scope 1	ton CO_2e*	154.91	154.04	141.72	0.24	0.00
CO_2 scope 2	ton CO_2e	248.49	84.61	368.20	213.58	188.92
Renewable energy share	%	19%	19%	13%	12%	13%
Water consumption	m^3	638.75	1085.92	2601.00	1656.00	1524.00
Social						
Workforce FTEs		168.4	198.9	119.4	45.0	29.5
Gender diversity, overall	% female	19%	22%	21%	20%	9%
Gender diversity, management	% female	0%	0%	0%	0%	0%
Gender pay ratio	female & male	1.36	1.36	1.33	1.21	1.93
Employee turnover rate	%	30%**	9%	4%	7%	8%
Sickness absence	days per FTE	4.00	3.62	3.41	2.31	0.11
Customer retention rate	%	76%	89%	59%	53%	56%
Governance						
Gender diversity, board	%	0%	20%	20%	0%	0%
Board meeting attendance rate	%	96%	98%	97%	97%	100%
CEO pay ratio	multiple	2.78	3.91	3.62	2.81	1.55

** Other fuels are used on site for combustion, but their emissions are immaterial*
*** The turnover rate in 2019 is a consequence of the high number of redundancies during the year*

Definition of ESG figures are defined in Note 38.



General
This table presents GomSpace Group's ESG indicators for 2015 to 2019. They are calculated based on the Center for ESG Research's Integrated Ratio Guideline. This is the first year that GomSpace calculates and presents ESG indicators in the group annual report. All calculations are based on the available data provided by all GomSpace entities and aggregated on Group level. The covered entities are GomSpace Group AB, GomSpace A/S (Denmark), GomSpace Sweden, GomSpace Luxembourg and GomSpace Asia (Singapore). Factors such as scopes 1 and 2 are not calculated for offices in which a small space of a larger office is rented. At this initial stage of calculating ESG data, GomSpace has not developed ESG targets. Therefore, the figures presented here are purely meant as information.

Environmental
The environmental factors cover scope 1, scope 2, percentage of renewable energy purchased and water consumption. Scope 1 emissions are calculated based on the GHG Protocol and the UK Government GHG Conversion Factors for Company Reporting. Scope 2 emissions are calculated using the 2019 IEA Emissions factors. The reported data are only from GomSpace A/S in Denmark and GomSpace Sweden, as the remaining entities work out of shared office spaces and thus, the environmental consumption is reported by the office owner. However, Sweden uses solely renewable energy. For scope 1, fuels include Perfluorocyclobutane (PFC-318) and Sulphur hexafluoride (SF6), as well as vehicle-related emissions. Other fuels are combusted on site, but as per the GHG Protocol, these do not have global warming potential. Therefore, they are considered immaterial. In 2017, GomSpace A/S moved to new facilities and paid double rent part of the year. This gives the high usage of water and electricity. In 2019, GomSpace A/S has started using new test equipment that has a very high usage of electricity.

Social
GomSpace's activities have increased during the past five years and there was also an increase in the FTE workforce. In 2019, the FTE workforce and activity level decreased due to cancellation of order and delays in launches. This is also illustrated in the high employee turnover in 2019. In GomSpace, the share of women has increased from 9% in 2015 to 19% in 2019. In generel, engineering and the space industry is dominated by men. GomSpace does not have women within the management group and women are mainly employed in the manufacturing department. Sickness absence has increased in line with the increased workforce.

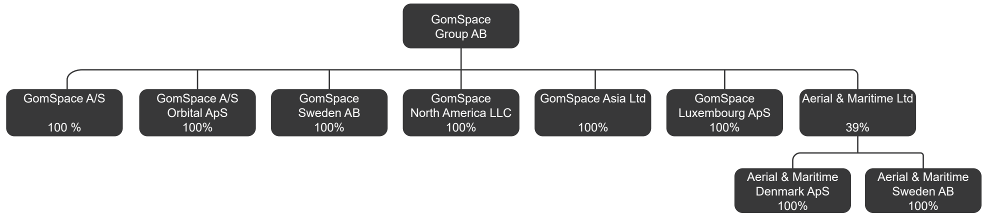
Governance
All members of the board of directors are males. Anna Rathsmann was board member from 2017 and left the board of directors because she was appointed to be new Director General for the Swedish National Space Agency (SNSA) and - due to possible conflict of interests - she had to resign from the board of directors of the Company. CEO pay ratio is increased in line with increased activities. CEO salary declined 23% from 2018 to 2019 and the staff median is increased due to reduction in FTE in 2019.

Management's Review

The Board of Directors and Chief Executive Officer of GomSpace Group AB (publ), corporate ID no. 559026-1888, with registered office in Uppsala, Sweden, hereby present the annual accounts of the parent company and group for the financial year 2019. Numerical information stated in brackets in these annual accounts are comparative figures with the financial year 2018 or the reporting date of 31 December 2018.

Ownership
GomSpace A/S, GomSpace Sweden AB, GomSpace Orbital ApS, GomSpace ASIA Pte Ltd, GomSpace North America LLC and GomSpace Luxembourg S.A.R.L. are the operating companies of the GomSpace Group, GomSpace Group AB is the holding company and listed on Nasdaq First North Premier in Stockholm.

The Group consists of GomSpace Group AB (Reg. No. 559026-1888), GomSpace A/S (Reg. No. 30899849), GomSpace Sweden AB (Reg. No. 556643-0475), GomSpace Orbital ApS (Reg. No. 38173561), GomSpace Asia Pte Ltd (Reg. No. 201707094C), GomSpace North America LLC (Reg. No. S667083-2) and GomSpace Luxembourg S.A.R.L. (No. B218666).



Information concerning operations
The overall purpose of GomSpace is to manufacture nanosatellites as well as components and turnkey solutions for satellites.

5-year overview

T.SEK	2019	2018*	2017*)**)	2016*)**)	2015*)**)
The Group					
Key figures					
Net revenue	136,263	153,384	96,405	54,142	34,087
Gross profit	17,994	38,549	26,884	25,201	17,195
Operating profit	-113,856	-116,601	-67,610	-14,510	-2,357
Share of profit from associates	-25,967	-2,112	4,591	21,386	-
Net financial items	-6,708	-4,098	-3,496	-1,389	-766
Profit/loss before tax	-146,531	-122,811	-66,515	5,487	-3,123
Profit/loss for the year	-151,663	-112,498	-53,989	8,981	-2,369
Investments in intangible assets	14,998	61,444	38,908	21,848	5,489
Investments in PPE	6,953	25,348	18,500	6,447	543
Total assets	436,753	608,542	313,069	209,093	30,067
Equity	295,682	441,843	185,315	146,106	13,816
Total liabilities	141,071	166,699	127,754	62,987	16,251
Cash flow from operating activities	-92,627	-102,567	-8,406	-17,368	-11,228
Cash flow from investing activities	-32,678	-81,804	-79,940	-14,972	-6,062
Cash flow from financing activities	-16,518	357,163	110,018	105,275	12,714
Cash and cash equivalents	127,160	248,754	84,170	59,803	1,268
Working capital	-20,522	6,010	23,606	-7,399	-13,821

T.SEK	2019	2018*	2017*)**)	2016*)**)	2015*)**)
Ratios					
Gross margin (%)	13%	25%	28%	47%	50%
Operating margin (%)	-84%	-76%	-70%	-27%	-7%
Net margin (%)	-111%	-73%	-56%	17%	-7%
Return on invested capital (%)	-35%	-18%	-17%	4%	-8%
Return on equity (%)	-41%	-36%	-33%	11%	-22%
Equity ratio (%)	68%	73%	59%	70%	46%
Earnings per share, basic, SEK	-2.90	-3.93	2.09	0.62	-
Earnings per share, diluted, SEK	-2.90	-3.93	2.08	0.62	-0.17
Average number of employees	168	119	119	45	30
Number of outstanding shares, average	52,274,803	28,620,451	25,805,411	14,592,504	-
Number of outstanding shares, average based on same method as in the combined financial statements 2013-2015	-	-	-	-	13,907,334
Number of outstanding shares as at 31 December	52,274,803	52,274,803	26,257,334	24,507,334	-

Earnings per share are computed in accordance with IAS 33 (note 24). Other key figures are computed in accordance with key ratios definitions. GomSpace presents alternative target results in the Annual Report which are not defined by IFRS. It is assessed that these financial highlights will contribute to an increased comparability and value when evaluating the result for this year as well as result in previous years. See note 1 for definition.

The transaction under which GomSpace Group AB became the holding company of GomSpace A/S was a group reorganization with no changes in the ultimate ownership of the group and all the shareholdings in GomSpace A/S were exchanged via a share-for-share exchange. GomSpace Group AB did not actively trade at that time. The Group reorganization took place on 28 April 2016. The consolidated financial statements have therefore been presented as a continuation of GomSpace A/S' business.

** The comparative figures are not restated to the effect of the IFRS 16 implementation.*

*** The comparative figures are not restated to the effect of the IFRS 9 and IFRS 15 implementation.*

T.SEK	2019	2018	2017	2016
The parent company				
Net revenue	25,676	24,893	21,482	1,708
Operating profit	-7,662	-6,570	-6,367	-6,138
Share of profit from associates	-12,442	0	0	0
Net financial items	2,121	-398	1,999	-230
Profit/loss for the year	-21,503	-5,703	-2,112	-6,368
Total assets	562,502	606,710	224,875	153,451
Equity	561,118	580,646	223,349	129,397
Total liabilities	1,384	26,064	1,526	24,054
Operating margin (%)	-30%	-26%	-30%	-359%
Net margin (%)	-84%	-23%	-10%	-373%
Return on invested capital (%)	-4%	-1%	-1%	-4%
Return on equity (%)	-4%	-1%	-1%	-5%
Equity ratio (%)	100%	96%	99%	84%
Earnings per share, basic, SEK	-0.41	-0.11	-0.08	-0.44
Earnings per share, diluted, SEK	-0.41	-0.11	-0.08	-0.44

The parent company was established on 11 September 2015.
Definition of key figures and ratios are defined in Note 1.

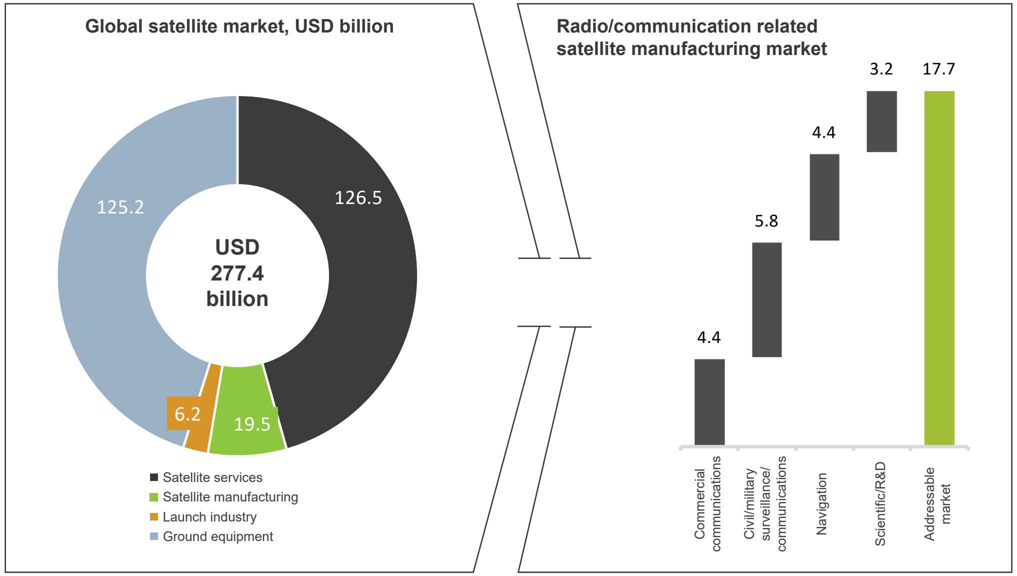
2019 in retrospect
The financial year 2019 was a challenging year for GomSpace. At the beginning of 2019, it became clear that one of our largest customers, Sky and Space Global, had troubles obtaining financing for their project, therefore we chose to exclude the customer from our order book to show a more true and fair view of the situation. As an unfortunate result of this situation, GomSpace had to reduce the number of employees from 231 at the beginning of the year to 134 at the end of the year, the effect of the redundancies did not show until the last quarter. On a more positive note there was a positive momentum at the end of the year and at the beginning of 2020 as order intake started to catch up and we received some significant orders, for instance a contract with Lockheed Martin for development and delivery of a 6U nanosatellite to Orbital Micro Systems in the UK, a contract at an amount of SEK 17 million, as well as a contract with Unseen Labs in January 2020 for development and delivery of nanosatellite platforms, this contract has a value of SEK 18.6 million.

During 2019, a number of interesting contracts were also entered with ESA. These contracts for instance included the contract to develop a 6U nanosatellite, Juventas, to join the HERA mission. Juventas is the very first nanosatellite developed for deep space missions by GomSpace. A contract was also entered in May between GomSpace Luxembourg and ESA for a Phase A design of the Miniaturized Asteroid Remote Geophysical Observer (M-ARGO) mission. Under this contract, GomSpace will be in charge of the preliminary design of the mission, spacecraft and implementation planning. In August, a development contract was signed for GomSpace Luxemboug S.à.r.l.'s continued development of the Mega-Constellation Operations Platform (MCOP) product. In total, contracts were signed between GomSpace and ESA at a total contract value of SEK 84.4 million.

Finally, as Aerial and Maritime did not succeed in getting financed, a strategic review of our business plan was performed and the outcome was that we chose to write down SEK 23 million in A&M.

Market Development
When the space era began back in the late 1950's, this was a space race between nations whereas, today, it is a race between private companies[1]. The satellite industry is a billion-dollar industry, the global satellite market in 2018 was USD 277.4 billion of which the satellite manufacturing market accounted for USD 19.5 billion – radio and communication services amounted to an estimated USD 17.7 billion[2]. GomSpace estimates their addressable market size to approximately USD 2.6 billion. Additionally, the market potentials are growing substantially and services such as constellations and data management are expected to be added to the future market potential.

Potential addressable market development



[1] European Investment Bank, "The future of the European space sector" (https://www.eib.org/attachments/thematic/future_of_euro-pean_space_sector_en.pdf)
[2] SIA, 2019 State of the Satellite Industry Report (company analysis)

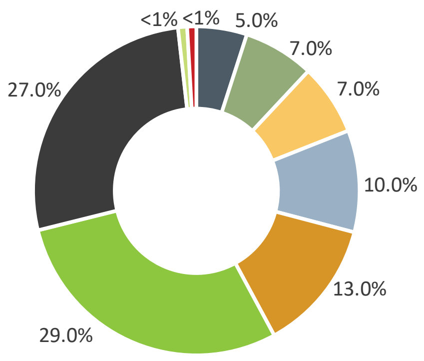
According to Nanosats.eu, a total of 1,307 nanosatellites were launched at the end of January 2020 and a forecasted 2,500 nanosatellites are to be launched in the next 6 years. The majority of the satellites launched are within the sectors; Commercial Communications and Remote Sensing[3].

GomSpace has a competitive strength within radio communication. Moreover, the large number of projects in collaboration with the European Space Agency (ESA) can be seen as a seal of approval of GomSpace as ESA would not cooperate with GomSpace if the products were not at the highest level. The projects with ESA are expected to result in new developments and capabilities which can subsequently be industrialized in the commercial domain.

The challenge for both GomSpace and its competitors is to gain volume in the sales in order to carry out high-volume manufacturing. Moreover, there are large challenges for non-US companies to gain entry into the large US market which currently constitutes more than 54% of all nanosatellites launched.

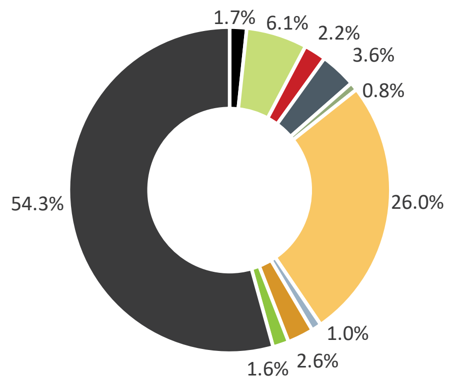
During 2019, there was a stagnation in the market which was primarily due to lack of funding and risk capital within the industry. Therefore, the InOrbit Demonstration projects with ESA as well as commercial players are extremely important to illustrate the vast functions contained in nanosatellites – currently GomSpace is participating in 3 IOD projects.

Operational Satellites by Function and Mass



SIA, 2019 State of the Satellite Industry Report

Nanosatellites by locations



Erik Kulu, Nanosats Database, www.nanosats.eu

[3] SIA, 2019 State of the Satellite Industry Report (company analysis)

Product Development
The GomSpace product platform is continuously evolved to enable our mission of helping teams across the globe achieve their goals in space. The current market (see Market Development) is still an emerging market with many different In Orbit Demonstration (IOD) mission types to serve and with an increasing demand for short lead times from business case conception to business case validation.

Thus, the GomSpace product platform will continue to be optimized for fast IOD validation across many mission types. This means our product platform will continue to be modular and flexible as well as configurable at both subsystem and spacecraft level, thereby ensuring short spacecraft design lead time and striking the right balance between design cost and manufacturing cost (for low volume IOD missions).

However, as the business cases mature, we are also seeing an increasing need to be able to scale the design with the mission. In this respect, we work closely with our customers to development mission-optimized solutions in terms of manufacturing costs and lead time.

The current market trends affecting our product development roadmap are:

Helping customers be responsible actors in space

- De-orbit capabilities
- Orbit Awareness and Collision Avoidance

Providing advanced mission capabilities

- Formation flying
- Inter-plane and cross-plane satellite links
- More powerful radios and modems (i.e. high bandwidth and low latency requirements)
- More powerful onboard processing (i.e. enabling more in-space processing of data)
- In-space protocol and network management

Advanced platform capabilities

- Fast turnaround from idea conception to launch readiness
- Adaptable to many different payload types (size/ power/interfaces)
- Enabling high duty cycle, either by high power generation or low power consumption
- Advanced ADCS (Attitude Determination and Control System) capabilities
- Autonomous operations capabilities on spacecrafts

Maturing mission assurance capabilities

- Operational lifetime >=5 years
- High availability of space infrastructure to ensure high availability of end-user services
- Cyber security
- Constellation Management with low operating expenses (i.e. requiring a high degree of autonomous operations)

Development activities

GomSpace has worked along 4 main activity streams during 2019 and will continue to do so in 2020:

1. Development of a new low-cost 12U platform
2. Continuous improvements of our 3U, 6U and 8U platforms
3. Development of a constellation management platform
4. Development of selected product ranges with very high reliability

Based on the development activities in 2019, GomSpace will during 2020 introduce several new products that are compatible with most of our current platforms as well as our new 12U platform. Specifically, we will start shipping the following new products to select customers:

- NanoPower P80: Our new power supply for large nanosatellites and beyond
- NanoPower BP8: Battery module for P80 based systems
- SDR platform: The latest version of our well-known Software Defined Radio platform
- NanoCom XT8250: Our new Flexible and efficient DVBS2 compatible X-band transmitter system
- NanoPower TSP: Our new Tracking Solar Panels solution enabling high-power generation solutions

During 2019, GomSpace reached the first operational release milestone for our constellation management platform. In 2020, GomSpace will release our Constellation Management Platform for commercial use. In parallel with this first release for commercial use, we will continue development of the constellation management platform to support more mission types as well as increase the number of supported ground segment infrastructure providers.

During 2020, GomSpace will continue the development on our K-band radio solutions. The first product release for the K-band will be a K-band ISL radio with steerable antenna beams. We expect to fly the first version of this in 2021/22.

Also, we are continuing our development of a very high reliability ISL sub-system that is aimed at harsh environments such as deep space. This is part of our ongoing commitment to enable more and more mission types using nanosatellites.

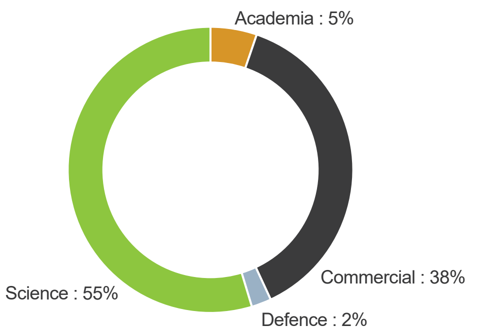
Finally, GomSpace made the first series production run of our standard propulsion modules. These propulsion modules will be further refined in 2020. In parallel to this, GomSpace is still working on the early stages of our hybrid propulsion product range.

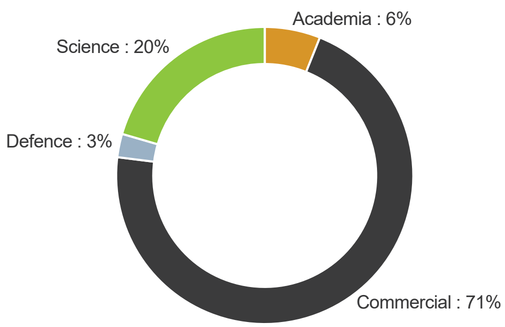
Financial Review

Financial Review

T.SEK	Business segments: Academia	Com-mercial	Defense	Science	Total
Order backlog 1 January 2018	6,935	696,383	3,904	16,166	723,388
Currency adjustment and reclassification of orders	-712	17,082	237	-411	16,196
Order intake	7,824	91,623	3,289	26,466	129,202
Converted to revenue	-10,765	-119,714	-5,564	-17,341	-153,384
Order backlog 31 December 2018	**3,282**	**685,374**	**1,866**	**24,880**	**715,402**
Currency adjustment and reclassification of orders	639	16,708	-1,365	6,035	22,026
Order intake	10,111	72,732	4,324	105,187	192,354
Cancelled orders	-1,186	-638,023	0	-1,570	-640,779
Converted to revenue	-11,618	-72,801	-3,809	-48,035	-136,263
Order backlog 31 December 2019	**1,228**	**63,990**	**1,025**	**86,497**	**152,740**

In the commercial segment, we have chosen to exclude Sky and Space Global as they did not fulfill their part of the agreement - their order has a value of T.SEK 613,020.





Order intake and backlog
At the beginning of the year, order intake was low and did not meet our expectations. Most of the orders were in the commercial business area where some of our existing and potential customers had problems obtaining funding. The half-year result showed a change in the main business area which had now shifted to the science business area, this was primarily a result of orders received from the European Space Agency (ESA), at this point the science business area constituted 81% of total orders. A reason for the shift was also related to our choice to treat the Sky and Space Global (SSG) order as cancelled and thereby removing this order from the commercial business segment.

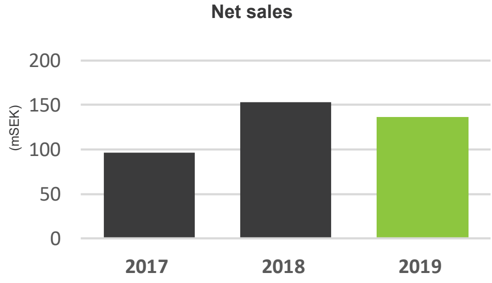
In the third quarter we experienced a decrease in the order intake which was a result of a slow period due to the holidays, however, at the end of the year there was a significant increase in the order intake. In 2019, orders received increased with 49% to T.SEK 192,354 (129,202), these orders were mainly in the science and commercial areas. We were therefore satisfied with the result for the last quarter of 2019.

The backlog at the end of 2019 decreased with 79% to T.SEK 152,740 (715,402), mainly a result of cancelling the SSG order (T.SEK 613,020). The science business area constituted 57% of total backlog – we intend to level out our orders within the four business areas in order to compensate for the low margin in science projects.

Overall, we converted SEK 71 million of the order backlog into revenue in 2019 and not SEK 80-90 million as we had initially expected at the end of 2018. The main reason for not meeting our objectives was primarily related to postponed launches which resulted in the projects also being postponed.

In 2020, we expect to convert SEK 160-185 million into revenue from order intake and backlog.

Revenue and operating profit (loss)
There was a decline in revenue in the first quarter of 2019, this decline was mainly related to an overcapacity of resources, the choice to put the SSG order on hold as well as re-estimation of our projects. The excess capacity led to low capacity utilization. In the commercial business area, the area with the highest margin, revenue declined 34% during the first three months, this was for instance a result of removing the SSG order from the orderbook. Reaching mid-year, a reduction in employees was performed to reduce costs and to align the capacity to the activity level.



The revenue for the year decreased 11% to T.SEK 136,263 (153,384). The decrease was related to re-estimation of specific projects, re-work and delays in launches. During the year, product sales increased whereas the sale of satellite solutions, platforms, payloads and subsystems decreased, this was also a result of delay in launches and re-estimation of projects. Revenue was below our expectations, though we are still following our project milestones. The low revenue was a result of order intake being lower than expected in the first three quarters. Our largest customer in 2019 was ESA with a revenue share of 31%.

In the year 2019, gross margin was 13% (25%) and the margin was mainly affected by a lower order intake than expected in the first three quarters and the fact that we were not able to convert sufficient orders into revenue in Q4 to recover. Cost of goods sold and development costs had a negative effect on the gross margin due to overcapacity in Manufacturing.

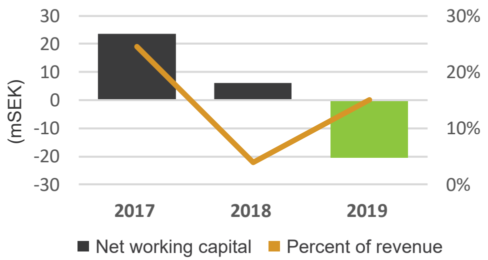
Share of profit from associates
Share of loss from associates amounts to T.SEK 25,967 (T.SEK 2,112). The amount comprises share of loss at T.SEK 2,621 (T.SEK 2,112) from Aerial & Maritime Ltd. At the end of 2019, we have written down the 39% ownership in Aerial & Maritime Ltd. with an amount of T.SEK 23,346 (T.SEK 0), based on a strategic review of the business.

Tax and deferred tax
During 2019, The Group recognized a deferred tax asset at a total amount of T.SEK 11,707 (T.SEK 21,151) relating to tax loss carry-forward. In 2019, the Group has written down the tax asset as a consequence of the significant decrease in the order backlog and lower order intake than expected during the year. As a consequence of this, the Group had an effective tax rate of -3% (8%) in 2019.

Cash flow
Cash from operating activities in 2019 improved with 10% to T.SEK -92,627 (-102,567). GomSpace's working capital totalled a negative T.SEK 20,522 (6,010).

At the end of 2019, cash burn had improved significantly, this means that we have sufficient cash to perform operations in 2020 and ahead and thereby there is no uncertainty regarding operations.

Net working capital

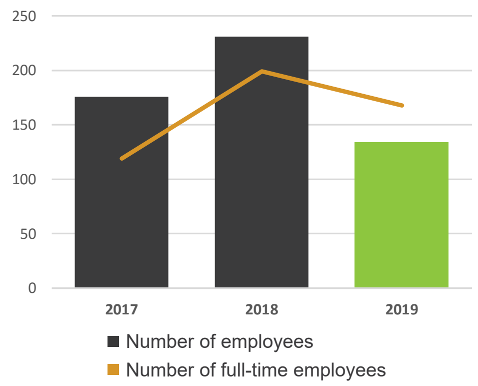


Working capital was positively affected with T.SEK 21,045 from receivables but negatively affected by other payables at an amount of T.SEK 46,062. The negative effect is mainly due to paid cost related to the capital injection from December 2019 and lower payroll liabilities due to the significant decrease in employees.

THE GROUP

	2019		2018		2017	
Technology	82	*61%*	111	*48%*	97	*55%*
Manufacturing	30	*22%*	69	*30%*	35	*20%*
Sales and distribution	11	*8%*	22	*10%*	16	*9%*
Administration	11	*8%*	29	*13%*	28	*16%*
Number of employees	134	*100%*	231	*100%*	176	*100%*
Number of full-time employees	168		199		119	

Employee evolution



Investments in intangible assets in relation to in-house development for customer cases amounted to T. SEK 31,513 (65,477) for 2019, excluding grants. Investments were for instance in our development of a new low-cost 12U platform and a constellation management system, for further description please see the Product Development section. Investments in property, plant and equipment amounted to T.SEK 6,953 (25,349).

The investment level in 2018 was high whereas investments in 2019 are now at a more suitable level.

Shareholder's equity
As at 31 December 2019, total shareholder's equity amounted to T.SEK 295,682 (441,843). In the year 2019, an amount of T.SEK 2,028 (6,663) is recognized as share-based payments in relation to the warrant program established for the Group's employees.

Market outlook
In 2020, we expect to convert between SEK 160-185 million into revenue.

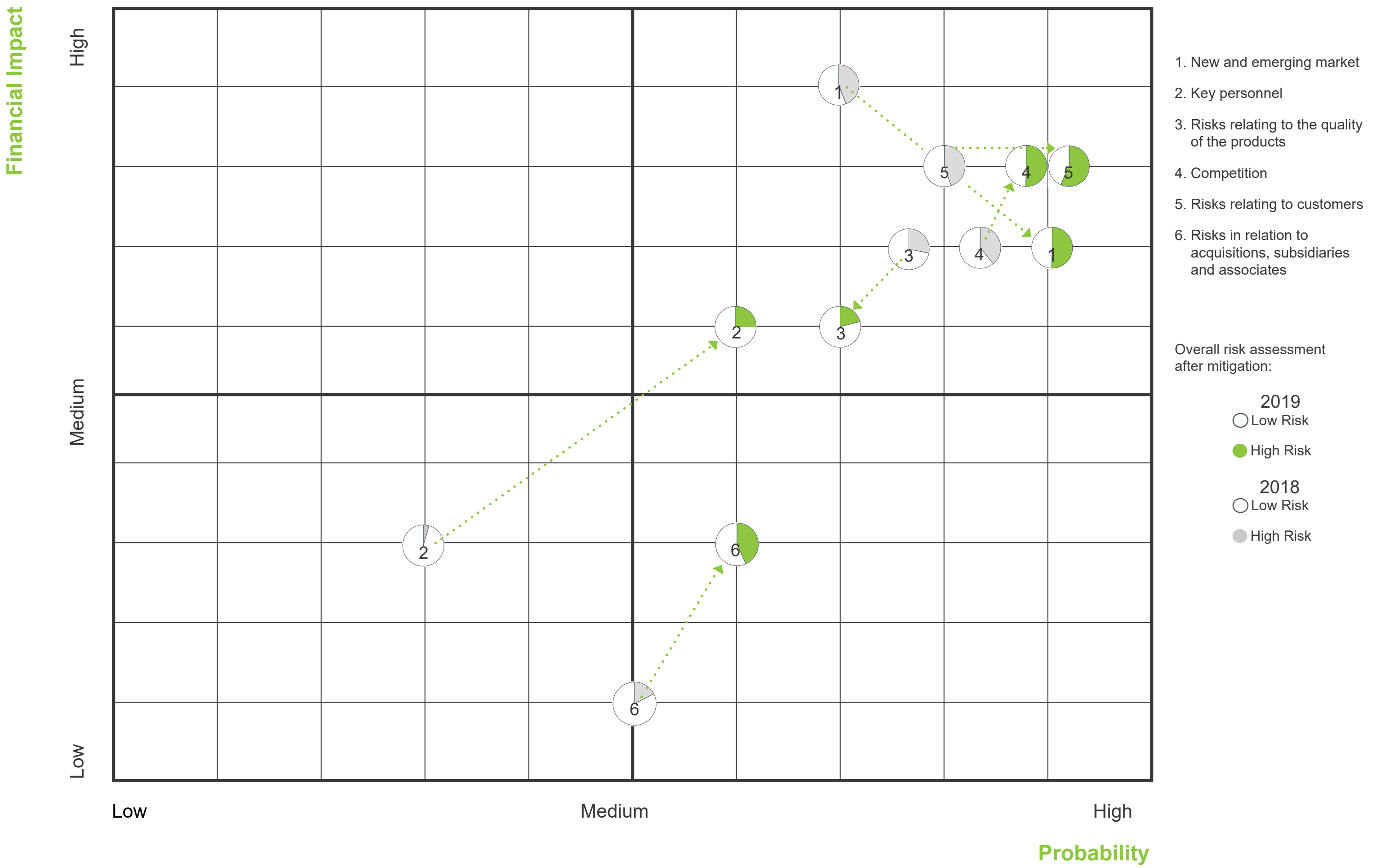
The shareholders should not expect any dividends in the short to medium term.

Other non-financial information
Information on remuneration and other employment terms for senior executives can be found in notes 4 and 5.

Risk Management

Due to its activities, the Group is exposed to various financial risks, including changes in foreign currency, interest, liquidity and credit risks. The Group manages the risks centrally and follows the policies approved by the Board of Directors. For further information, please see note 28 Financial risks.

The risk factors set forth below are primarily associated with the subsidiaries GomSpace A/S, GomSpace Sweden AB, GomSpace Orbital ApS, GomSpace Asia Pte Ltd, GomSpace North America LLC and GomSpace Luxembourg S.A.R.L. as well as the associated company Aerial & Maritime Ltd. and their currently conducted business operations. Notwithstanding, it is expected that the Company will be subject to the same risks as GomSpace A/S historically has been subject to. There are a number of factors that may adversely affect the Company's business, financial position and future results. Some of the risks are related to the Company, while other risks do not have any particular connection with the Company. There may also be risks and uncertainties that the Company is currently unaware of, or assesses as immaterial, that may prove to be material. Disclosed risks are not presented in priority order or in any other special order. The risks below are deemed to include the main known risks to the Company's future development and they may all adversely affect the Company's business, financial position and profits in the future.



Description	Impact	Mitigation
1. New and emerging market The nanosatellite market may stagnate, or even cease to exist. The market could also develop in a way that the Company is not able to adapt to and even if the market becomes large and wide, the Company may face competition from other operators which have greater financial conditions and/or are better prepared for the requirements on the market.	Competition could lead to a situation where the Company needs to compete on other terms, such as price. One of the major challenges is ensuring the right positioning of the Company in relation to technology and customers, thereby securing orders and profitability.	We monitor and reevaluate our ongoing business with quarterly forecasting and yearly update of our 5-year plans. Furthermore, we adapt the company to the market situation, for instance by focusing on the resources.

Description	Impact	Mitigation
2. Key personnel		
The Company is largely dependent on its ability to retain and attract skilled personnel. Moreover, the Group is dependent on hiring and retaining certain skilled personnel to continue its growth and to reach future success. Following a year with redundancies, the Company may be challenged in retaining and attracting skilled employees.	Should the Group lose and not be able to replace any member of its key personnel, it may interrupt ongoing projects as well as other development plans laid out for the Group.	We ensure that GomSpace is, and continue to be, an interesting place to work. GomSpace seeks to offer employment on favorable terms and to be located in attractive areas.
3. Risks relating to the quality of the product		
The Company is reliant on its ability to develop and deliver products of a certain quality. Even if the Company deems the products to be of a certain quality, the demand from the customers may deviate from what the Group is producing.	Should the Company focus on the wrong development projects or not be able to develop its products to meet market expectations, it may adversely impact the Company's business, financial position and profits in the future.	The Quality Assurance department is ensuring that a quality control is performed on the products and that this is registered and monitored on an ongoing basis. Furthermore, we have introduced an Order Readiness Review of all products which is to ensure high quality and low number of returned goods.
4. Competition		
The Company cannot be certain of its market share or the position of its competitors in terms of technology and products and, moreover, new actors may come forward. The competition may lead to markets where there is high competition on price and quality.	Failure to comply with this development may lead to loss of offers and market shares.	We seek to be close to our customers and aim to offer them a wide product portfolio as well as our customers can benefit from our experience within the business. Furthermore, we seek to partake in a number of development projects with ESA which we expect will lead to further recognition in the industry.
5. Risks relating to customers		
As of today, a material part of the Group's sales and revenue is generated from a few larger customers. There is a risk that customers do not place orders or otherwise fulfil their respective undertakings due to e.g. lack of financial resources or other circumstances beyond the Company's control. There is a risk that the Company fails to enter into customer agreements on favorable terms.	We risk losing payment if the customer is unable to pay and in case we do not meet the milestone requirements.	We seek to take out debtor insurance to gain knowledge of the customers' funding situation as well as to enter into milestone payments with a positive cash flow.
6. Risks in relation to acquisitions, subsidiaries and associates		
The outcome of acquisitions, subsidiaries and associates is related to some risk as this may not fulfill the desired business strategy and turn out to be unsuccessful.	There will be expenses in relation to closing down subsidiaries as well as expenses in relation to any obligations we have entered into; rental costs etc. We will also need to write down our value of associated companies.	We include an exit strategy for closing down a subsidiary in our ongoing forecasting.

Uncertainty relating to recognition and measurement
Recognition and measurement regarding the carrying amount of some assets and liabilities in the Consolidated Financial Statements require judgments, estimates and assumptions concerning future events, also see note 2.

Unusual events
The financial position at 31 December 2019 of the Group and the results of the activities and cash flows of the Group for the financial year 2019 have not been affected by any unusual events.

Subsequent events
No material events have occurred subsequent to the balance sheet date.

During the spring of 2020, the financial impact of the Covid-19 Corona virus was apparent within a number of industries. As regards our business, there has been no effect to date and we also have a sound order book, though it is difficult to make an assessment of the long-term effect as we are only in the initial phases of this situation.

Parent Company
The parent company had total revenues of T.SEK 25,676 (24,893) for the year 2019. The parent company incurred total costs of T.SEK 33,338 (31,463) for the year 2019. The operating result for the year 2019 is T.SEK -7,662 (-6,570). The net loss for the year 2019 is T.SEK 21,503 (a net loss of 5,703).

Tax and deferred tax
The Parent Company, GomSpace Group AB, had a non-recognized deferred tax loss carry-forward at a total amount of T.SEK 70,764 (43,008) as well as a recognized deferred tax asset at a total amount of T.SEK 0 (3,520) relating to tax loss carry-forward.

The Board of Directors' decision on items for the Annual General Meeting
Distribution of profit (loss) for the year.

The following funds are at the disposal of the parent company (SEK):

	2019
Share premium	578,311,459
Retained earnings	649,081
Profit (loss for the year)	-21,503,054
	557,457,486

To be distributed as follows:	
Paid out as dividend	0
Carried forward	557,457,486
	557,457,486

The Board of Directors is proposing to the Annual General Meeting that no dividend is paid for the financial year 2019.

General Information

Corporate Governance

Introduction
GomSpace Group is a Swedish public limited liability company with its registered office in Stockholm. The company, through its subsidiaries, develop and manufacture nanosatellites as well as components and turnkey solutions for satellites and has been listed on Nasdaq First North Premier since June 2016.

As a company listed on Nasdaq First North Premier, the company must comply with the Swedish Corporate Governance Code and prepare an annual corporate governance reporting as from the 2019 financial year.

The corporate governance reporting takes the revised version of the Swedish Corporate Governance Code which entered into force on 1 January 2020 into consideration.

GomSpace considers good corporate governance to be essential and an important part of its core business.

Consequently, Gomspace Group complies with the revised Code in all essential and obligatory aspects at the time of preparing this Corporate Governance reporting. However, as a result of a rule change during 2019 and the implementation of the rules, GomSpace did not fully comply with the Code during the year. GomSpace did not comply with the sustainability and environmental policies, however, the work has been initiated and is in progress.

Corporate governance structure
The Swedish Companies Act contains basic rules for the Company's organisation and stipulates that there should be three decision-making bodies: The General Meeting of Shareholders, the Board of Directors and the Chief Executive Officer (CEO), in a hierarchal relationship with each other. There must also be a monitoring body, the auditor, who is appointed by the General Meeting of Shareholders.

Governance, management and control are distributed between the shareholders, the Board of directors, the CEO and company management in accordance with applicable laws, rules and recommendations and GomSpace's Articles of Association, the Board's rules of procedures and other internal instructions.

The current Articles of Association are included on the company's webpage.

The regulatory framework consists of the Swedish Companies Act, the rules that apply to the regulated market where the company's shares are listed (Nasdaq First North Growth Market – Rulebook) for trading and from 2019 also the Swedish Corporate Governance Code.

Shareholders
The composition of shareholders and shares are included on page 26 in the Annual Report.

Shareholders' meeting
GomSpace Group's Annual General Meeting (AGM) shall be held in Stockholm within six months of the end of the financial year. The AGM appoints the Board of Directors and the auditors and determines their fees. The AGM also adopts the financial statements, decides on the appropriation of profits and on discharge from liability for the Board of Directors and the CEO, and decides on other matters according to the Articles of Association or Nomination committee.

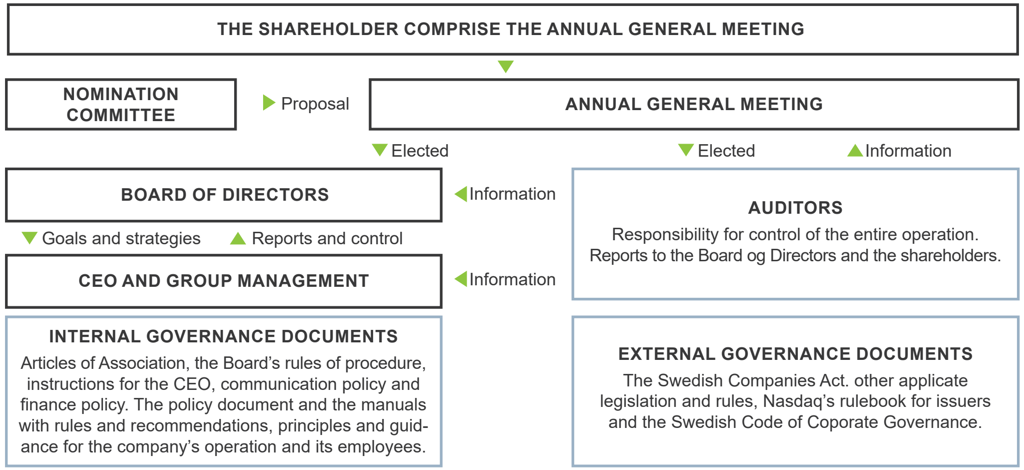
All corporate governance rules to execute the shareholders meeting are met.

The AGM in 2019 took place on 26 April 2019. Resolutions are included on the company's webpage in section for "General meetings".

GomSpace's AGM in 2020 will take place 24 April 2020 at 10.00 at Setterwalls Advokatbyrå's office at Sturegatan 10 in Stockholm, Sweden.

Nomination Committee
Nomination of Board Members prior to the election at AGM takes place by means of a Nomination Committee. Moreover, the Nomination Committee proposes fees for the Board member as well as it proposes the election of and fees for the auditor.

At the AGM in the Company, held on April 26, 2019, it was resolved to adopt principles for the appointment of a nomination committee to be composed of the chairman of the board of directors and three members appointed by the three largest shareholders by votes at the end of the third quarter each year.



The shareholders exercising their right to appoint a member to the nomination committee were Hansen & Langeland ApS, Borean, Longbus Holding and NOVI. Each of the aforementioned shareholders have appointed the following members:

- Jens Langeland, appointed by Hansen & Langeland ApS
- Stefan Gardefjord, appointed by Borean and Longbus Holding
- Henrik Lundum, appointed by NOVI

The nomination committee is to appoint a chairman among its members. The chairman of the board of directors may not be appointed chairman of the nomination committee.

Chairman of the board, Jukka Pertola, is considered to be independent of the company's largest shareholder.

According to instructions, the nomination committee shall be composed and perform such tasks which are stated from time to time in the Swedish Corporate Governance Code.

The current instructions for the nomination committee in GomSpace can be found in the corporate governance section on the Company's website, in the minutes from the AGM.

A diversity policy is not legally required for the nomination committee in its work nor required by Swedish Corporate Governance Code.

Tasks of directors
The updated and adopted rules of procedures including principle tasks of the board of directors are meeting the corporate governance rules and thereby compromise the following:

- appointing, evaluating and, if necessary, dismissing the CEO,
- establishing the overall goals and strategy of the company,
- identifying how sustainability issues impact risks to and business opportunities for the company,
- defining appropriate guidelines to govern the company's conduct in society, with the aim of ensuring its long-term value creation capability,

- ensuring that there is an appropriate system for follow-up and control of the company's operations and the risks to the company that are associated with its operations, ensuring that there is a satisfactory process for monitoring the company's compliance with laws and other regulations relevant to the company's operations, as well as the application of internal guidelines, and
- ensuring that the company's external communications are characterised by openness, and that they are accurate, reliable and relevant

In line with rules of procedures each director is:

- to form an independent opinion on each matter considered by the board and to request whatever information he or she believes necessary for the board to make well-founded decisions.
- to acquire continuously the knowledge of the company's operations, organization, markets etc. that is necessary to carry out the assignment.
- responsible for committing the time required to carry out the work of the board in the context of the director's other assignments and commitments.

If required, work among members of the board are divided based on competences.

The board is to approve any significant assignments the CEO has outside the company.

Size and composition of the board
According to the articles of Association GomSpace's board should consists of no less than 3 and no more than 7 Board members. Board members are elected for a period of one year.

At the AGM in 2019 4 members were elected. No deputy board members have been appointed.

The requirements to size and composition according to corporate governance rules including independence are in focus and met.

In line with the rules no board member is a member of the executive management, and most board members are independent of the company and its executive management. Only one current board member is dependent in relation to the company's major shareholders.

A detailed presentation of the board members, including information about other assignments and holding of GomSpace shares, may be found under Board of Directors in the Corporate Governance section on the Company's website.

Furthermore, board meeting attendance at board meetings during the last financial year is included as part of ESG reporting, in 2019 the attendance rate was 96% - one board member was absent at one out of seven board meetings resulting in an attendance rate of 86%, the other board members had an attendance rate of 100%.

Since the last AGM, 9 board meetings have taken place.

The CEO and CFO usually attend the board meetings, and other officers in the Group can participate in board meetings as a reporting member or secretary.

Chair of the board
The Chair of the Board leads the work of the Board and has a special responsibility to follow the Group's development between board meetings and to ensure that the members of the Board are continually provided with information necessary to perform the work satisfactorily.

Based on rules of procedures and in line with the corporate governance rules, the Chair ensures that the work of the board is conducted efficiently and that the board fulfils its obligations.

The chair of the board is to be elected by the shareholders' meeting and is not an employee of the company or has duties assigned by the company in addition to his or her responsibilities as chair.

The Chair maintains regular contact with members of the Management team and holds meetings with them as required.

Board procedures
The board is responsible for ensuring that the Group has good internal controls and ensures that the Group has formalized routines to ensure that approved principles for financial reporting and internal controls are applied as well as the company's financial reports are produced in accordance with legislation, applicable accounting standards and other requirements for listed companies.

The following policies and plans are implemented and regularly reviewed and updated:

- Accounting policy
- Authority rights
- Information policy
- Insider policy
- IT policy and Disaster Recovery plan
- Business continuity plan

A detailed description of the Group's internal controls is included in a separate section below, including the board's measures for monitoring that the internal controls related to financial reports and reporting to the board function adequately.

A separate internal audit function has not been established. The Board of Directors is for now of the opinion that a business of GomSpace Group's scope, in a centralized organization, does not require a more extensive audit function in the form of an internal audit function. The assessment is updated annually.

An audit committee is not statutory, and any relevant tasks are performed by the Board.

At least once a year, the board meets the company's statutory auditor without the presence of the CEO or any other member of the executive management.

The board of directors ensures that the company's half-year or third quarter report is reviewed by the statutory auditor. The most recent review was performed as at 30 September 2019.

CEO and Executive management
The CEO is primarily responsible for the continuous management of the company's affairs and the daily operations. The division of work between the Board of Directors and CEO is set forth in the company's rules of procedure for the Board of Directors and the instructions for the CEO. The CEO is responsible for keeping the Board of Directors informed of the company's operations, results of operation and financial position. The CEO is also responsible for preparing reports and compiling information ahead of Board meetings and is the reporting person of the materials at the Board meetings.

A detailed presentation of the CEO and the entire executive management team, including information about other assignments and holding of GomSpace shares, may be under Executive Management in the Corporate Governance section on the Company's website.

Evaluation of the Board of Directors og Chief Executive Officer
The Chairman is to ensure that that the work of the Board is evaluated annually and to ensure that the Nomination Committee is informed of the result of the evaluation.

The annual evaluation of the board work follows an established procedure in line with the corporate governance rules.

The most recent evaluation was performed in February 2020.

Furthermore, the Chairman must ensure that the work of the CEO is evaluated annually, the board continuously evaluates the work of the CEO. A formal examination is carried out at least once a year, and no member of the executive management is to be present during this evaluation process. The most recent evaluation was performed in March 2020.

Remuneration of the board and executive management
The entire board performs the tasks of the remuneration committee in accordance with the corporate governance rules.

If the board uses the services of an external consultant, the board ensures that there is no conflict of interest regarding other assignments this consultant may have for the company or its executive management.

Guidelines for remuneration for executive management are adopted by the AGM in line with principles according to corporate governance rules.
The following guidelines are highlighted:

- 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.

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.

For further details, see appendix 2 to the minutes of the 2019 AGM on the company's webpage.

At the company's AGM 2019, it was resolved that the fees payable to the Board of Directors for the period until the end of the next annual general meeting shall amount to a total of SEK 1,125,000 out of which SEK 450,000 shall be paid to the chairman and SEK 225,000 to each of the other ordinary board members.

The company's commitment as regards variable salary to the group's executive management for 2019 is estimated to cost the company not more than approximately SEK 14,100,000.

Information on sustainability and remuneration
The Group is not legally required to publish a sustainability report, but an ESG reporting based on Center for ESG Research's Integrated Ratio Guideline has been compiled on a voluntary basis and is included in the annual report (page 9) since the Annual Report 2019.

Furthermore, the Group is not legally required to publish a remuneration report. Disclosures of management remuneration, including share-price related incentive program, are included in note 4 of annual report and may also be found on company's webpage in separate section.

Internal controls of financial reporting
Internal controls regarding financial reporting aim both to provide reasonable certainty in terms of the reliability of external financial reporting and to ensure that the financial reporting has been prepared in accordance with the law, applicable reporting standards and other requirements.

The control environment includes how targets are set, how earnings are monitored and how risks are managed.

The control environment for financial reporting is based on the allocation of roles and responsibilities within the organisation and accounting policies, instructions and routines.

The authorisation instructions in place regulate the decision-making process for important contracts, major investments and other significant decisions, thus becoming an important part for the Group's control environment.

The Board of Directors is responsible for identifying and addressing material financial risks and risk of error occurring in financial reporting.

At each Board meeting, Management reports its assessment of existing risks and any other issues concerning internal control. The Board can then call for further measures if considered necessary.

Description of risk management and assessment are included in pages 17-18 of the Annual Report.

Control activities within Gomspace Group take place in the entire organisation at all levels and include approval of projects and agreements as well as ongoing monitoring of earnings performance on projects.

Financial reporting and statements are analysed and validated by the Group finance team.

The Group's financial department under the management of the Group's CFO conducts an annual evaluation of the internal control in the companies.

Group Information

Board of Directors

Jukka Pertola
(board member and chairman)

Born: 1960
Position: Member and chairman of the board of directors of the Company.
Other current assignments: Mr. Pertola is chairman of the board of directors of Siemens Gamesa Renewable Energy A/S, IoT Denmark A/S, Tryg A/S, Tryg Forsikring A/S, Monsenso ApS and the Danish Academy of Technical Sciences. Furthermore, he is vice chairman of the board of directors of COWI Holdings A/S and a member of the board of Industriens Pensionsforsikring A/S.
Independent of GomSpace and the senior management: Yes.
Independent of major shareholders as of today: Yes.
Holdings in GomSpace: Direct holding of 60,000 shares.

Jesper Jespersen
(board member)

Born: 1946
Position: Member of the board of directors of the Company.
Other current assignments: Mr. Jespersen is chairman of the board of directors of AnyBody Technology A/S and a member of the board of directors of CPHI-Holding A/S, Netic A/S, Admana A/S, BBHS A/S and SkyWatch A/S. He is also the CEO of Dellwood Invest ApS and a director of Investo Capital Management A/S.
Independent of GomSpace and the senior management: Yes.
Independent of major shareholders as of today: Yes.
Holdings in GomSpace: Direct holding of 50,000 shares.

Steen Hansen
(board member)

Born: 1948
Position: Member of the board of directors of the Company.
Other current assignments: Mr. Hansen is chairman of the board of directors of for instance Nyati Safari ApS, Beach Lodge ApS, Travelcon A/S, H&L Ejendomme A/S and CN Group Holding ApS. He is also a member of the board of directors of for instance HAH Holding ApS, Cnde Holding ApS, Hansen & Langeland ApS and Grunden138 ApS. Mr. Hansen is also the CEO of H&L Leasing ApS, Gardes Alle 36 ApS, SHA Holding ApS, H&L Obligationer ApS and EH Holding ApS, as well as CEO and partner of HL-Invest ApS. He is also a director of CATERING 133 ApS and H&L Junior 01 ApS and a partner of Partrederiet Stevns Multi Ships, I/S Bregnerødvej 139, Partrederiet Stevns Enterprise Kemberg I/S, Steen Hansen Shipping Asia Trader, Herbergen Vind I/S, Global Acceptance Corporation ApS and H&L Tiefenbach ApS.
Independent of GomSpace and the senior management: Yes.
Independent of major shareholders as of today: No.
Holdings in GomSpace: Indirect holding of 5,248,646 shares through Hansen & Langeland ApS.

Henrik Schibler
(board member)

Born: 1978
Position: Member of the board of directors of the Company.
Other current assignments: Mr. Schibler is currently COO, Europe at ISS A/S.
Independent of GomSpace and the senior management: Yes
Independent of major shareholders as of today: Yes

Senior Management

Niels Buus
(CEO)

Born: 1957
Position: Mr. Buus has been CEO of the Company from when it became the parent company of the Group and was also CEO of the former parent company, GomSpace A/S, from 2014, and board member from 2007.
Other current assignments: Mr. Buus is the chairman of the Aalborg University Nomination Committee, a member of the board of directors of FAD – Danish Defense and Security Industries Association, as well as partner and CEO of Longbus Holding ApS.
Holdings in GomSpace: Direct holding of 63,000 shares and indirect holding of 1,221,756 shares in the Company through Longbus Holding ApS. Direct holding of 15,087 vested warrants and possible future holding of an additional 5,029 unvested warrants issued under the incentive program implemented in 2017. Related persons (wife) also hold a total of 2,000 shares.

Troels Nørmølle
(CFO)

Born: 1986
Position: Mr. Nørmølle has been CFO of the Company from when it became the parent company of the Group and was also CFO of the former parent company, GomSpace A/S, as from May 2014.
Other current assignments: Mr. Nørmølle is a partner of Skallerup Management as well as a partner and the CEO of Skallerup Invest IVS.
Holdings in GomSpace: Direct holding of 1,000 shares and indirect holding of 293,300 shares in the Company through Skallerup Invest IVS. Direct holding of 7,759 vested warrants and possible future holding of an additional 2,586 unvested warrants issued under the incentive program implemented in 2017. Related persons (children) also hold a total of 3,000 shares.

Morten Hvidberg Jeppesen
(CTO)

Born: 1975
Position: Mr. Hvidberg Jeppesen started as CTO of the Company on 1 December 2018.
Other current assignments: Mr. Hvidberg Jeppesen is currently not involved in any assignments outside of the Group.
Holdings in GomSpace: Direct holding of 6,983 vested warrants and possible future holding of an additional 2,328 unvested warrants issued under the incentive program implemented in 2017.

Peter Worsøe
(CMO)

Born: 1955
Position: Mr. Worsøe is the Chief Manufacturing Officer of GomSpace and has been with the company since September 2017.
Holdings in GomSpace: Direct holding of 2,431 vested warrants and possible future holding of an additional 2,431 unvested warrants issued under the incentive program implemented in 2018.

Lars Alminde
(CCO)

Born: 1979
Position: Mr. Alminde is the Chief Commercial Officer (CCO) of GomSpace and has been with the company since September 2007 as founder.
Holdings in GomSpace: Indirect holding of 1,726,439 shares in the Company through Black Pepper Invest ApS. Direct holding of 6,897 vested warrants and possible future holding of an additional 2,299 unvested warrants issued under the incentive program implemented in 2017.

For further information on the Board of Directors and the Executive Management, please visit https://gomspace.com/corporate-gover-nance.aspx

Investor Information

Share price movements
At the end of 2019, GomSpace Group AB's share was SEK 11.24 per share compared to a share price of SEK 10.44 at the beginning of the year, this corresponds to an increase of 8%. The group's market value at 31 December 2019 was T.SEK 587,569 compared to T.SEK 532,157 as at 1 January 2019.

Results for the fourth quarter 2018
We did not fully reach the expected revenue and margins as the Sky and Space Global project was slowed down to a minimum due to overdue payments, which led to restructuring and reduction of staff in GomSpace.

Results for the first quarter 2019
In the first quarter, we had an unexpected decline in the order intake. We are however already seeing an improvement in the second quarter where we till date have met our expectations.

Results for the second quarter 2019
We remain very optimistic about the long-term potential for the nanosatellite market. The investments into the general space market continue to be large and we still see new startup companies with new services that aim for making satellite constellations. We also see that the governmental market is showing signs of future growth. Many countries are now formulating national space strategies that include nanosatellites for science and national security. We also see clear signs that the established players in the satellite service business are becoming interested in nanosatellites.

Results for the second half of 2019
The reason for the low result in the third quarter is late incoming orders during the summer months. Approaching the end of 2019, we experience a positive momentum as order intake has caught up and we are therefore very optimistic regarding next year.

Composition of shareholders
GomSpace Group AB has 10,971 registered shareholders at the end of 2019. The following are the top-3 shareholdes which are made public. Other shareholders may therefore be included in the top-3, however, they are not known by name.

	2019
Hansen & Langeland ApS	5,248,646
Borean Innovation A/S	1,639,847
Longbus Holding ApS	1,221,756

These shareholders hold 15% of the group's total shares.

The Board of Directors and the management, including related parties, hold 5,338,646 shares and 3,285,495 shares, respectively, corresponding to 16.5% of the total shares.

IR Policy
It is our policy to convey information to our shareholders and the market in a professional manner and on an ongoing basis.

The group's annual reports and interim reports are available on our webpage and following the publication, an update will be made to our Investor Presentation which can also be found on our webpage.

Following the publication of our interim reports, share analysis are prepared by Danske Bank and Aktieinfo (this latter analysis is only available in Danish).

In 2020, we participate in the following events:

- Aktiedag in Stockholm on 16 March 2020
- Stora Aktiedagen in Gothenburg on 9 November 2020

Should participation in additional events take place in 2020 this will be announced on our webpage.

Questions regarding IR can be sent via the contact form on our webpage (https://gomspace.com/contact.aspx) or by e-mail: info@gomspace.com.

Financials

Consolidated Income

T.SEK	Note	2019	2018*
Net revenue	3	136,263	153,384
Cost of goods sold	4,5,6	-118,269	-114,835
Gross profit (loss)		**17,994**	**38,549**
Sales and distribution costs	4,5,6	-43,789	-38,310
Development costs	4,5,6	-40,635	-58,119
Administrative costs	4,5,6	-45,030	-59,423
Other operating income		303	702
Other operating costs		-2,699	0
Operating profit (loss)		**-113,856**	**-116,601**
Share of profit from associates	14	-25,967	-2,112
Finance income	8	485	3,468
Finance expenses	9	-7,193	-7,566
Profit (loss) before tax		**-146,531**	**-122,811**
Tax	10	-5,132	10,313
Profit (loss) for the year		**-151,663**	**-112,498**
Profit (loss) is attributable to			
Owners of GomSpace Group AB (publ)		-151,663	-112,498
		-151,663	**-112,498**

T.SEK	Note	2019	2018*
Consolidated Comprehensive Income			
Profit (loss) for the year		-151,663	-112,498
Items which may be reclassified to the income statement:			
Foreign exchange rate adjustments, subsidiaries		3,351	2,614
Foreign exchange rate adjustments, associates	14	176	3,412
Other comprehensive income for the year, net of tax		**3,527**	**6,026**
Total comprehensive income for the year		**-148,136**	**-106,472**
Total comprehensive income for the year is attributable to:			
Owners of GomSpace Group AB (publ)		-148,136	-106,472
		-148,136	**-106,472**
Earnings per share, basic, SEK	24	-2.90	-3.93
Earnings per share, diluted, SEK	24	-2.90	-3.93

** The comparative figures are not restated to the effect of the IFRS 16 implementation.*

Consolidated Financial Position

T.SEK	Note	Dec 31 2019	Dec 31 2018*
ASSETS			
Goodwill		3,710	3,710
Other intangible assets	11	116,844	114,863
Property, plant and equipment	12	31,062	37,911
Right of use assets (leasing)	13	54,541	0
Investments in associates	15	11,672	34,599
Deferred tax	16	1,173	12,373
Other non-current assets	17	4,071	3,853
Total non-current assets		**223,073**	**207,309**
Inventories	18	24,133	30,050
Contract work	19,20	13,087	30,095
Trade receivables	20	37,212	51,811
Tax receivable	21	6,588	7,913
Prepayments	22	4,125	7,815
Other receivables		1,375	4,131
Cash and cash equivalents	23	127,160	269,418
Total current assets		**213,680**	**401,233**
Total assets		**436,753**	**608,542**

T.SEK	Note	Dec 31 2019	Dec 31 2018*
EQUITY AND LIABILITIES			
Share capital	24	3,660	3,660
Share premium		581,599	581,652
Translation reserve		7,771	4,244
Retained earnings		-297,348	-147,713
Total equity		**295,682**	**441,843**
Credit institutions	28,29	14,874	23,403
Leasing liabilities	13,28,29	43,956	2,890
Other liabilities		2,933	0
Total non-current liabilities		**61,763**	**26,293**
Credit institutions		8,966	8,745
Leasing liabilities	28,29	10,769	1,150
Trade payables and other payables	13,28,29	9,621	15,390
Contract work	28,29	29,156	48,988
Prepayments	19	4,132	14,103
Corporation tax	25	163	599
Other liabilities		16,501	51,431
Total current liabilities	26,29	**79,308**	**140,406**
Total liabilities		**141,071**	**166,699**
Total equity and liabilities		**436,753**	**608,542**

** The comparative figures are not restated to the effect of the IFRS 16 implementation.*

Consolidated Changes in Equity

T.SEK	Share capital	Share premium	Translation reserve	Retained earnings	Total equity
Equity 01.01.2018*	**1,839**	**227,136**	**-1,782**	**-41,878**	**185,315**
Profit (loss) for the year	0	0	0	-112,498	-112,498
Other comprehensive income	0	0	6,026	0	6,026
Total comprehensive income for the year	**0**	**0**	**6,026**	**-112,498**	**-106,472**
Transactions with owners in their capacity as owners					
Increase in share capital	1,821	374,487	0	0	376,308
Increase in share capital, costs	0	-19,971	0	0	-19,971
Share-based payments	0	0	0	6,663	6,663
Total transactions with owners in their capacity as owners	**1,821**	**354,516**	**0**	**6,663**	**363,000**
Equity 31.12.2018*	**3,660**	**581,652**	**4,244**	**-147,713**	**441,843**
Equity 01.01.2019	**3,660**	**581,652**	**4,244**	**-147,713**	**441,843**
Profit (loss) for the year	0	0	0	-151,663	-151,663
Other comprehensive income	0	0	3,527	0	3,527
Total comprehensive income for the year	**0**	**0**	**3,527**	**-151,663**	**-148,136**
Transactions with owners in their capacity as owners					
Increase in share capital, costs	0	-53	0	0	-53
Share-based payments	0	0	0	2,028	2,028
Total transactions with owners in their capacity as owners	**0**	**-53**	**0**	**2,028**	**1,975**
Equity 31.12.2019	**3,660**	**581,599**	**7,771**	**-297,348**	**295,682**

** The comparative figures are not restated to the effect of the IFRS 16 implementation.*

Consolidated Cash Flow

T.SEK	Note	2019	2018*
Profit (loss) before tax		-146,531	-122,811
Reversal of financial items		6,708	4,098
Depreciation and amortizations		32,091	20,501
Result after tax from associates	31	25,967	2,112
Non-cash items		20,589	10,534
Changes in net working capital	30	-34,620	-18,729
Cash flow from primary operating activities		**-95,796**	**-104,295**
Received interest		11	2
Paid interest		-4,554	-3,564
Tax received		7,949	5,498
Tax paid		-237	-208
Cash flow from operating activities		**-92,627**	**-102,567**
Investments in intangible assets (before grants)		-31,513	-65,477
Investments in leasehold improvement, plant and equipment		-6,953	-25,349
Deposit paid		-191	-371
Government grants	33	5,979	9,366
Proceeds from sale of marketable securities		0	10
Proceeds from sale of property, plant and equipment		0	17
Cash flow from investing activities		**-32,678**	**-81,804**

T.SEK	Note	2019	2018*
Financing from debt:			
Borrowings	32	2,978	4,128
Repayment of borrowings	32	-9,002	-3,301
Payment of lease liabilities	32	-10,441	0
		-16,465	**827**
Financing from shareholders:			
Capital increase		0	376,308
Capital increase, costs		-53	-19,972
		-53	**356,336**
Cash flow from financing activities		**-16,518**	**357,163**
Net cash flow for the year		**-141,823**	**172,792**
Cash and cash equivalents, beginning of the year		248,754	84,170
Unrealized exchange rate gains and losses on cash		-434	1,059
Change in bank deposit for security		-270	-9,267
Cash and cash equivalents, end of the year		**106,227**	**248,754**
Reconciliation of cash and cash equivalents			
Cash and cash equivalents according to the balance sheet	23	127,160	269,418
Bank deposit		-20,933	-20,664
Cash and cash equivalents according to the cash flow statement		**106,227**	**248,754**

The cash flow statement cannot be directly derived from the items in the consolidated financial statements.

**The comparative figures are not restated to the effect of the IFRS 16 implementation.*

Parent Company Income

T.SEK	Note	2019	2018
Net revenue	3	25,676	24,893
Gross profit		**25,676**	**24,893**
Administrative costs		-33,338	-31,463
Operating profit (loss)		**-7,662**	**-6,570**
Finance income	8	2,466	2,115
Share of profit from associates	10	-12,442	0
Finance expenses	9	-345	-2,513
Profit (loss) before tax		**-17,983**	**-6,968**
Tax	10	-3,520	1,265
Profit (loss) for the year		**-21,503**	**-5,703**
Statement of Comprehensive Income			
Profit (loss) for the year		-21,503	-5,703
Items which may be reclassified to the income statement:			
Other comprehensive income for the year, net of tax		**0**	**0**
Total comprehensive income for the year		**-21,503**	**-5,703**

Parent Company Financial Position

T.SEK	Note	2019	2018
ASSETS			
Investments in subsidiaries	14	304,693	294,330
Investments in associates	15	11,672	24,114
Total financial fixed assets		**316,365**	**318,444**
Total non-current assets		**316,365**	**318,444**
Receivables from subsidiaries		133,009	29,212
Trade receivables from associates		39	421
Deferred tax asset		0	3,520
Other prepayments	22	434	9
Other receivables		147	138
Receivables		**133,629**	**33,300**
Cash and cash equivalents	23	**112,508**	**254,966**
Total current assets		**246,137**	**288,266**
Total assets		**562,502**	**606,710**

T.SEK	2019	2018
EQUITY AND LIABILITIES		
Restricted equity:		
Share capital	3,660	3,660
Total restricted equity	**3,660**	**3,660**
Free equity:		
Share premium	578,311	578,364
Retained earnings	-20,853	-1,378
Total free equity	**557,458**	**576,986**
Total equity	**561,118**	**580,646**
Payables to subsidiaries	0	10,382
Trade payables and other payables	1,049	105
Other liabilities	335	15,577
Total current liabilities	**1,384**	**26,064**
Total liabilities	**1,384**	**26,064**
Total equity and liabilities	**562,502**	**606,710**

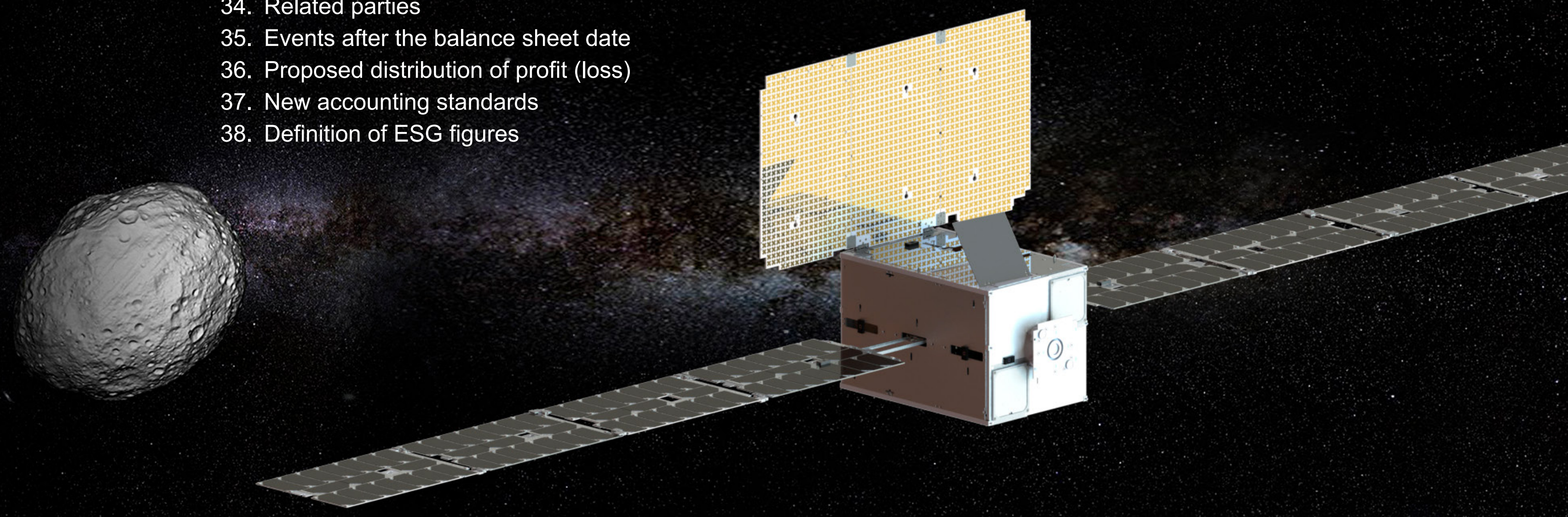
Parent Company Changes in Equity

T.SEK	Share capital	Share premium	Retained earnings	Total equity
Equity 01.01.2018	**1,839**	**223,848**	**-2,338**	**223,349**
Profit (loss) for the year	0	0	-5,703	-5,703
Total comprehensive income for the year	**0**	**0**	**-5,703**	**-5,703**
Transactions with owners in their capacity as owners				
Increase in share capital	1,821	374,487	0	376,308
Increase in share capital, costs	0	-19,971	0	-19,971
Share-based payments	0	0	6,663	6,663
	1,821	**354,516**	**6,663**	**363,000**
Equity 31.12.2018	**3,660**	**578,364**	**-1,378**	**580,646**
Equity 01.01.2019	**3,660**	**578,364**	**-1,378**	**580,646**
Profit (loss) for the year	0	0	-21,503	-21,503
Total comprehensive income for the year	**0**	**0**	**-21,503**	**-21,503**
Transactions with owners in their capacity as owners				
Increase in share capital, costs	0	-53	0	-53
Share-based payments	0	0	2,028	2,028
	0	**-53**	**2,028**	**1,975**
Equity 31.12.2019	**3,660**	**578,311**	**-20,853**	**561,118**

Parent Company Cash Flow

T.SEK	Note	2019	2018
Profit (loss) before tax		-17,983	-6,968
Reversal of financial items		-2,121	398
Result after tax from associates		12,442	0
Non-cash items		2,255	4,355
Change in net working capital	30	-128,490	6,665
Cash flow from primary operating activities		**-133,897**	**4,450**
Received interest		2,239	2,115
Paid interest		-345	-123
Tax paid		-39	0
Cash flow from operating activities		**-132,042**	**6,442**
Acquisition of and capital increase in subsidiaries	14	-10,363	-145,875
Cash flow from investing activities		**-10,363**	**-145,875**
Capital increase		0	376,308
Capital increase, costs		-53	-19,971
Cash flow from financing activities		**-53**	**356,337**
Net cash flow for the year		**-142,458**	**216,904**
Cash and cash equivalents, beginning of the year		236,254	26,747
Unrealized exchange rate gains and losses on cash		0	-82
Change in bank deposit for security	23	-240	-7,315
Cash and cash equivalents, end of the year		**93,556**	**236,254**
Reconciliation of cash and cash equivalents			
Cash and cash equivalents according to the balance sheet		112,508	254,966
Bank deposit		-18,952	-18,712
Cash and cash equivalents according to the cash flow statement		**93,556**	**236,254**

Notes



Notes

1. 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, unless otherwise stated. The financial statements for the group consist of GomSpace Group AB and its subsidiaries.

Basis of preparation
The consolidated financial statements of GomSpace Group AB (publ) have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and the Annual Accounts Act. IFRS includes interpretations issued by the IFRS Interpretations Committee (IFRS IC). In addition to the Annual Accounts Act and IFRS, the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups, has also been applied.

Change in accounting policies
The Group applied IFRS 16 *Leases* for the first time. The impact and the nature of the changes as a result of adoption of this new accounting standard is described below.

Other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 Leases
The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Group elected to use the transition practical expedient - without restating comparative figures - allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The Group has lease contracts for property and various items of vehicles and other equipment. Before the adoption of IFRS 16, the Group classified each of its leases at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expenses in the income statement on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under Prepayments and Trade and other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognized lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

When assessing the expected lease period, the Group has identified the non-cancellable term of the lease, together with periods covered by an option to extend the lease, which management with reasonable probability expects to exercise, and together with periods covered by an option to terminate the lease which management with reasonable probability expects not to exercise. Regarding leasing of operating equipment, the Group has assessed that the expected lease period constitutes the non-cancellable term of the lease as the Group has not previously made use of an option to extend the lease in similar agreements.

The effect of adopting IFRS 16 on consolidated financial statements is as follows:

T.SEK	
Assets	
Finance leasing contracts	4,097
Effect from implementing IFRS 16	57,549
Right-of use leasing as at 1 January 2019	**61,646**
Liabilities	
Finance leasing liability	4,097
Effect from implementing IFRS 16	57,549
Leasing liability as at 1 January 2019	**61,646**

There is no effect on equity as at 1 January 2019.

Operational leasing liabilities amounted to T. SEK. 39,914 as at 31 December 2018. Increase is mainly related to longer leasing periods for properties.

Income statement (2019)	
Depreciation expense (included in Cost of goods sold, Sales and distribution costs, Development costs and Administration costs)	-10,622
Rent expense (included in Cost of goods sold, Sales and distribution costs, Development costs and Administration costs)	10,693
Operating profit	71
Finance costs	-1,496
Income tax expense	313
Profit (loss) for the year	**-1,112**

Statement of cash flows (2019)	
Net cash flows from operating activities	9,197
Net cash flows from financing activities	-9,197
	0

1. Accounting policies (continued)

There is no material impact on other comprehensive income and the basic and diluted EPS. On the transition date, the total lease asset amounts to T.SEK 57,581 (previously operating leases) and finance leases which are transferred from property, plant and equipment amount to T.SEK 4,097, equivalent to a total of T.SEK 61,678.

The Group applies its alternative loan interest when measuring future lease payments at current value. When assessing the alternative loan interest, the Group has categorized its portfolio of lease assets into two categories where the Group assesses that the leases and the underlying assets of each category have the same characteristics and risk profile. The categories includes “Properties” and “Operating equipment”. The Group determines the alternative loan interest for the above categories of leases in relation to initial recognition of a lease. Moreover, it is determined in relation to subsequent changes in the underlying contractual cash flows from changes in the Group’s estimate of a residual value guarantee, in case the Group alters its assessment of whether an option to acquire, prolong or terminate with reasonable probability is expected to be exercised or in case the lease is to be modified. The weighted rate amounts to 2-4%.

Leasing assets are depreciated over expected leasing period as follows:

- Property 2-8 years
- Equipment 3-5 years

Consolidation of subsidiaries
Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to or has the right to variable return from its holding in the entity and is able to affect this return through its influence in the entity. Subsidiaries are included in the financial statements as of the date when control passes to the Group. They are deconsolidated from the date on which the control ceases.

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets.

Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed).

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU), which comprises the Group as a whole, and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Associates
An associate is an entity over which GomSpace has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group’s investments in its associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group’s share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The income statement reflects the Group’s share of profit or loss after tax from the associates. Any change in Other Comprehensive Income (‘OCI’) of those investees is presented as part of the Group’s OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

Translation of foreign currency
(i) Functional currency and reporting currency
Items included in the financial statements of each of the group’s entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Swedish kronor (SEK) which is the functional currency of the parent company. The functional currency of the operating companies GomSpace A/S and GomSpace Orbital ApS is DKK, GomSpace Sweden AB is SEK, GomSpace Asia PTE Ltd. is SGD, GomSpace North America Ltd. is USD and GomSpace Luxembourg S.A.R.L. is EUR.

(ii) Transactions and balance-sheet items
Transactions in foreign currencies are translated into the functional currency at the exchange rates applicable on the transaction date. Exchange gains and losses arising in the payment of such transactions and in the translation of monetary assets and liabilities in foreign currencies at the rate prevailing on the reporting date are recognized in the income statement under the item Net financials.

(iii) Group companies
The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognized in other comprehensive income.

Segments report
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Management that makes strategic decisions. The business of GomSpace Group AB (publ) only includes one segment and the consolidated financial statements of comprehensive income, the consolidated statements of financial position, the consolidated statements of cash flows, the combined statements of changes in equity and notes represent this segment.

Revenue
Revenue includes sales of satellite solutions, platforms, payloads and subsystems.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, who has pricing latitude and who is also exposed to inventory and credit risks.

Contract work that is subject to a high degree of individual adaptation is recognized as revenue over time by reference to the percentage-of-completion method, meaning that revenue corresponds to the selling price of work performed during the year. When the outcome of contract work cannot be estimated reliably, revenue is recognized at the costs incurred so far when they are likely to be recovered. When it is probable that the total contract costs will exceed the total contract revenue, the anticipated loss on the contract is immediately recognized as an expense and a provision.

Platforms, payloads and subsystems are either sold as separated components to customers or integrated together as a platform or turnkey nanosatellite. It has been assesed that satellite solutions and platforms, payloads and subsystems meet the criteria for revenue

1. Accounting policies (continued)

to be recognized over time, on a percentage of completion basis. This is due to the customisation of components to customer specifications (selected options) which means that GomSpace has no alternative use for the component once customisation commences and GomSpace has a right to payment for work completed to date. The Group's contracts with customers for the sale of satellite solutions, platforms, payloads and subsystems generally include one performance obligation.

For satellite solutions and platforms, payments are based on milestones, generally leading to prepayments in the first phase and assets in the ending period.

Trade receivables are non-interest bearing and are generally on terms of 14 to 60 days.

Generally, normal standard warranty obligations apply.

Cost of goods sold
Cost of goods sold comprise the cost of products and projects sold. Cost comprises the purchase price of raw materials, consumables and goods for resale, direct labour costs and a share of indirect production costs, including costs of operation and depreciation of production facilities as well as operation, administration and management of production sites.

Sales and distribution costs
Costs incurred in distributing goods sold during the year and in conducting sales campaigns, etc. during the year are recognized as distribution costs. Also, costs relating to sales staff, advertising, exhibitions as well as depreciation and impairment losses are recognized as distribution costs. Also included in this item are impairment of trade receivables under the expected loss model.

Development costs
Development costs include expenses relating to development activities not meeting the capitalisation criteria. Such expenses include staff costs, cost of material as well as depreciation and impairment losses.

Administrative costs
Administrative costs comprise expenses incurred during the year for management and administration, including costs relating to administrative staff, office premises and office expenses as well as depreciation and impairment losses.

Share-based payments
Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for warrants (equity-settled transactions). The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using the Black-Scholes option pricing valuation model, further details of which are given in Note 5.

In the consolidated financial statements of the Group, the cost is recognized in employee benefits expense together with a corresponding increase in equity, over the period in which the service conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the income statement for a period represents the movement in cumulative expenses recognized as at the beginning and the end of that period.

Employee benefits
Liabilities for wages and salaries, including non-monetary benefits, are recognized 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.

Variable salary
Provisions for variable salary are expensed on an ongoing basis in accordance with the economic substance of current agreements.

Pension obligations
The company only has defined contribution pension plans. The contributions are recognized as an employee benefit expense when they are due. The group has no further payment obligations once the contributions have been paid.

Termination benefits
A provision for costs in connection with termination of personnel is recognized only if the company is obligated to end employment before the normal retirement date or when benefits are provided as an incentive to encourage voluntary termination. Estimated termination benefits are recognized as a provision when a detailed plan for the measure is presented.

Other operating income
Other operating income comprises income that is not related to the principal activities. This includes government grants, rent as well as gains and losses on the disposal of intangible assets and property, plant and equipment as well as other income of a secondary nature in relation to the main activities of the Group.

Other operating expenses
Other operating expenses comprise expenses that are not related to the principal activities. This includes losses on the disposal of intangible assets and property, plant and equipment as well as other expenses of a secondary nature in relation to the main activities of the Group.

Financial income and expenses
Financial income and expenses comprise interest receivable and interest payable as well as value adjustments of financial assets and items denominated in a foreign currency.

Income tax and deferred tax
The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is 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 recognized 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 by the end of the reporting period 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 recognized only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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.

Current and deferred tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Intangible assets
Goodwill
Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group as a whole is identified at the lowest level at which goodwill is monitored for internal management purposes.

Technology
Separately acquired licenses are shown at historical cost. Technologies acquired in a business combination are recognized at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

1. Accounting policies (continued)

Amortization is based on the straight-line method over the expected useful lives of the assets:

- Technology: 15 years

Development projects
Costs associated with maintaining software and products are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique development projects controlled by the group are recognized as intangible assets when the following criteria are met:

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

Directly attributable costs that are capitalised as part of the development project include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Amortization is based on the straight-line method over the expected useful lives of the assets:

- Development projects: 5 years

Other intangible assets
Other intangible assets are measured at cost less accumulated depreciation and amortization.

Other intangible assets are amortized on a straight-line method over the expected useful lives of the assets:

- Customer relationships: 5 years
- Licenses/software: 3-5 years

Amortization of a development project begins when the development project is at a stage where its commercial potential can be utilized in the manner intended by Management.

Intangible assets not yet available for use are not subject to amortisation but are tested annually for impairment, irrespective of whether there is any indication that they may be impaired.

Government grants
Government grants comprise grants for investments, development projects, etc. Grants are recognized when there is reasonable certainty that they will be received. Grants for investments and capitalized development projects are set off against the cost of the assets to which the grants relate. Other grants are recognized in development costs in the income statement to offset the expenses for which they compensate.

Property, plant and equipment
Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment charges. Property, plant and equipment also include leasehold improvements. Property, plant and equipment in progress are measured at cost. Cost comprises expenses for materials, other expenses directly related to making the asset ready for use, and reestablishment expenses, provided that a corresponding provision is made at the same time.

The useful lives of the individual groups of assets are estimated as follows:

- Other fixtures and fittings, tools and equipment: 2 - 5 years
- Leasehold improvements: 3 - 5 years

Depreciation is based on a straight-line basis.

Gains and losses on the disposal of property, plant and equipment are recognized in the income statement under other operating income and other operating expenses.

Leases from 1 January 2019
A leased asset and a lease liability are recognized in the balance sheet when the Group; in accordance with a lease for a specific identifiable asset, is having a leased asset made available during the lease period and when the Group obtains the right to substantially all economic benefits from the use of the identified asset and the right to direct the use of the identified asset. On initial recognition, lease liabilities are measured at present value of future lease payments discounted using an incremental borrowing rate. The following lease payments are recognized as part of the lease liability:

- Fixed lease payments.
- Variable lease payments that change concurrently with the change in an index or interest rate based on a current index or interest rate.
- Amounts payable under a residual value guarantee.
- The exercise price for purchase options that Management is reasonably certain to exercise.
- Payments included in an extension option that the Group is reasonably certain to exercise.
- Penalty for termination option unless the Group is reasonably certain not to exercise the option.

The lease liability is measured at amortised cost using the effective interest method. The lease liability is remeasured when there are changes in the underlying contractual cash flows from changes in an index or an interest rate, if there are changes in the Group's estimated residual value guarantee or if the Group changes its assessment of whether a purchase, extension or termination option is reasonably certain to be exercised. On initial recognition, the leased asset is measured at cost which corresponds to the value of the lease liability adjusted for prepaid lease payments plus directly related costs and estimated costs for dismantlement, restoration or the like and less discounts received or other types of incentive payments from the lessor. The asset is subsequently measured at cost less accumulated depreciation, amortisation and impairment losses. The leased asset is depreciated over the shorter of the lease term and the useful life of the leased asset. Depreciation is recognized on a straight-line basis in the income statement. The leased asset is adjusted for changes in the lease liability as a result of changes in terms of the lease agreement or changes in the contract's cash flows concurrently with changes in an index or interest rate.

Leased assets are depreciated on a straight-line basis over the expected lease period, which is:

- Properties 2-8 year
- Operating equipment 3 - 5 years

The Group presents the leased asset and the lease liability as separate line items in the balance sheet. The Group has chosen not to recognise low-value and short-term leased assets in the balance sheet. Instead lease payments under these leases are recognized on a straight-line basis in the income statement.

Leases before 1 January 2019
For financial reporting purposes, lease liabilities are classified as finance lease liabilities and operating lease liabilities.

A finance lease is classified as a lease which in all material respect transfers the risk and benefits associated with ownership of the leased asset to the lessee. All other leases are classified as operating leases.

The accounting treatment of assets held under finance leases and lease liabilities is described under plant and equipment as well as financial liabilities, respectively.

Operating lease payments are recognized in the income statement on a straight-line basis over the lease term.

Assets held under operating leases are recognized, measured and presented in the statement of financial position as the company's other, similar assets. Lease income is recognized in the income statement on a straight-line basis over the lease term.

Impairment testing of non-current assets
The carrying amount of non-current assets are tested annually for indicators of impairment. When there is an indication that assets may be impaired, the recoverable amount of the asset is determined. The recoverable amount is the higher of an asset's fair value less expected costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset or the cash-generating unit to which the asset belongs. An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit, respectively, exceeds the recoverable amount of the asset or the cash-generating unit. The impairment loss is recognized in the income statement.

1. Accounting policies (continued)

Inventories
Inventories are measured at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method.

The cost of goods for resale and raw materials and consumables comprises purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising costs incurred to bring the product to the current completion rate and location. Costs include the cost of raw materials, consumables, direct wages and salaries, and indirect production overheads. Indirect production overheads comprise indirect materials, wages and salaries, maintenance and depreciation of production machinery and equipment as well as production, administration and management.

Trade receivables
Receivables are initially recognized at fair value adjusted for any transaction costs. Subsequently, receivables are measured at amortized cost less provisions for bad debts. Impairment on expected losses on trade receivables as well as contract work is recognized immediately in the income statement at the same time as the amount receivable based on a simplified expected credit loss model. The impairment is based on historical data. This data is based on expected loss over the total maturity of the amount receivable, corrected for estimates of the effect of expected changes in relevant parameters, for instance financial development, political risks etc. on the market in question.

Management applies estimates when assessing provision for bad debts upon initial recognition as well as in relation to the ongoing risk management.

Contract work
Contract work is measured at the selling price of the work performed less progress billings and anticipated losses. Contract work entails a significant degree of design customization of produced goods. Moreover, before any work is commenced, a binding agreement must have been entered into, which will imply a penalty or damages on subsequent termination of the agreement.

The selling price is measured by reference to the percentage of completion at the end of the reporting period and the total expected income from the contract. The percentage of completion is determined on the basis of an assessment of the work performed, which is usually measured as the proportion of contract costs incurred for work performed to date relative to the total estimated contract costs.

When it is probable that the total contract costs will exceed the total contract revenue, the anticipated loss on the contract is immediately recognized as an expense and a provision.

When income and expenses on contract work cannot be determined reliably, contract revenue is recognized only to the extent of contract costs incurred that will probably be recoverable.

Where the selling price of work performed exceeds progress billings on contract work and anticipated losses, the excess is recognized under receivables. If progress billings and anticipated losses exceed the selling price of contract work, the deficit is recognized under liabilities.

Prepayments from customers are recognized under liabilities.

Prepayments under assets
Prepayments which are recognized under assets include costs incurred in respect of subsequent financial years and primarily relate to prepaid expenses and prepayments for inventories.

Provisions
Provisions are recognized when, as a consequence of an event occurring on or before the balance sheet date, the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation. The obligation is measured on the basis of Management's best estimate of the discounted amount at which the obligation is expected to be met.

Financial assets and liabilities
Cash and cash equivalents comprise cash balances as well as restricted and unrestricted deposits with banks.

Financial liabilities are initially measured at fair value less transaction costs incurred. Subsequently, the financial liabilities are measured at amortized cost. Amortized cost is calculated as original cost less instalments plus/less the accumulated amortization of the difference between cost and nominal value. Losses and gains on loans are thus allocated over the term so that the effective interest rate is recognized in the income statement over the loan period. Financial liabilities are derecognized when settled.

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Method (EIR). Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the income statement.

Contributed equity
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Prepayments under liabilities
Prepayments which are recognized under liabilities include payments received in respect of income in subsequent financial years and primarily relate to received government grants.

Cash flow statement
The cash flow statement has been prepared under the indirect method and shows the Group's cash flows from operating, investing and financing activities for the year. Cash flows from operating activities comprise profit or loss before tax adjusted for non-cash operating items, changes in working capital, financial items received and paid as well as income tax paid. Cash flows from investing activities comprise payments made in connection with the acquisition and divestment of companies and activities, as well as investment, development, sale and improvements of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise capital increases and costs incidental thereto as well as the arrangement of loans, the repayment of interest-bearing debt, incl. lease liabilities, shares and the payment of dividend to the Group's shareholders.

Cash and cash equivalents in the cash flow statement comprise cash balances and unrestricted deposits with banks.

Key ratios definitions

$$\text{Gross margin} = \frac{\text{gross profit}}{\text{net revenue}}$$

$$\text{Operating margin} = \frac{\text{operating profit}}{\text{net revenue}}$$

$$\text{Net margin} = \frac{\text{profit}}{\text{net revenue}}$$

$$\text{Return on invested capital} = \frac{\text{profit}}{\text{total assets}}$$

$$\text{Return on equity} = \frac{\text{profit}}{\text{average equity}}$$

$$\text{Equity ratio} = \frac{\text{equity}}{\text{total assets}}$$

$$\text{Earnings per share, basic} = \frac{\text{profit}}{\text{number of shares basic, average}}$$

$$\text{Earnings per share, diluted} = \frac{\text{profit}}{\text{number of shares diluted, average}}$$

Working capital = Inventory + Contract work + Trade receivables + Other prepayments + Other receivables - Trade payables and other payables - Contract work - Prepayments - Other liabilities

GomSpace presents financial highlights in the Annual Report which are not defined according to IFRS. These financial highlights are believed to give the investors and group management valuable information in order to assess the result. Other companies may compute these figures differently and therefore the figures may not be comparable to other companies' financial highlights. The financial highlights should not be considered a substitution of the target results defined according to IFRS.

Earnings per share are computed in accordance with IAS 33 (note 24). Other key figures are computed in accordance with key ratios definitions. GomSpace presents alternative target results in the Annual Report which are not defined by IFRS. It is assessed that these financial highlights will contribute to an increased comparability and value when evaluating the result for this year as well as result in previous years.

1. Accounting policies (continued)

Parent Company

Basis of preparation

The financial statements for the parent company have been prepared in accordance with the Annual Accounts Act and the recommendation RFR 2 Accounting for legal entities.

The differences between the Group's and the Parent's accounting principles are described below. The below stated accounting principles for the parent company have been applied consistently to all periods presented in the Parent's financial statements, if not otherwise described.

Implementation of IFRS 16 has no impact on parent company financial statements.

Share-based payment

In the separate financial statements of GomSpace Group AB, as principal to the share-based payment transaction, the company will recognize an increase in the cost of investment in the subsidiary receiving the employment services, representing a capital contribution, based on the share-based payment charge over the vesting period.

A management recharge based on the grant date fair value of the warrants is accrued over the vesting period of the share-based payment. The accrued recharge is credited against the cost of investment (being a return of capital contribution), up to the amount of the original capital contribution, with any excess recharge being recognized in the income statement.

Investment in subsidiaries

Investments in subsidiaries are recognized at cost. This comprises the purchase price at fair value plus direct acquisition costs. If there is indication of impairment, an impairment test is conducted. Where the carrying value exceeds the recoverable amount, the investment is written down to this lower amount.

Investment in associates

Investments in associates are recognized at cost. This comprises the purchase price at fair value plus direct acquisition costs. If there is indication of impairment, an impairment test is conducted. Where the carrying value exceeds the recoverable amount, the investment is written down to this lower amount.

2. Significant accounting estimates and judgments

In preparing the Consolidated Financial Statements, Management makes various accounting estimates and assumptions which form the basis of presentation, recognition and measurement of the Group's assets and liabilities. The most significant accounting estimates and judgments are presented below.

In applying the Group's accounting policies, Management makes judgments which may significantly influence the amounts recognized in the Consolidated Financial Statements. Determining the carrying amount of some assets and liabilities requires judgments, estimates and assumptions concerning future events.

The judgments, estimates and assumptions made are based on historical experience and other factors that Management considers to be reliable, but which by their very nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise. The most critical judgments, estimates and assumptions for the individual items are described below. The Group is also subject to risks and uncertainties that may lead to actual results differing from these estimates, both positively and negatively.

Development projects

For in-process development projects an impairment test is performed annually. The impairment test is performed on the basis of various factors, including future expected use of the outcome of the project, the fair value of the estimated future earnings or savings, interest rates and risks.

For in-process development projects, Management estimates on an ongoing basis whether each project is likely to generate future economic benefits for the Group in order to qualify for recognition. The development projects are evaluated on technical as well as commercial criteria. The carrying amount of in-process development projects is disclosed in note 11.

Investments in associates

The Group has written down investments in associates, Aerial & Maritime Ltd. (A&M) to the realizable value. A&M did not manage to enter an agreement on alternative financing solutions and has been restricted in its operation during the last 12 to 18 months.

Contract work

Recognized revenue on contract work is based on percentage of completion which is based on cost incurred on the contract as a percentage of the total cost estimated to complete the project. Management estimates, on an ongoing basis, the cost required to complete the projects and whether the costs can be recovered through the contract. The carrying amount of contract work in progress is disclosed in note 19.

Backlog, Revenue and Trade receivables

A material part of the Group's backlog, sales and revenue as well as trade receivables was generated from a few large customers. Since the beginning of 2019, there is an increased risk that customers do not place orders or otherwise fulfil their respective undertakings due to e.g. lack of financial resources or other circumstances beyond the Company's control. Should the Group lose business from all or some of its top customers, it may have an adverse impact on the Group's business, financial position and profits in the future.

Deferred tax

The Group has a significant deferred tax asset, mainly related to tax loss carry forwards, which is partly written down during 2019. As a result of the European Securities and Markets Authority's statement made in July 2019 regarding recognition of deferred tax, the Company evaluates that the previous assessment of deferred tax should be reviewed. Uncertainty is related to whether tax loss can be utilized. Recognized value of the tax asset is related to Luxembourg.

3. Net revenue

T.SEK	GomSpace Group AB 2019	2018
Parent Company		
Management fee (point of time)	25,676	24,893
	25,676	**24,893**

Net revenue is distributed to the following geographical markets, based on where the customer reside.

T.SEK	2019	2018
Geographic distribution		
Denmark	20,083	20,274
Sweden	2,398	1,799
Europe (excluding Denmark and Sweden)	1,657	913
USA	652	640
Asia	543	548
Rest of the world	343	719
	25,676	**24,893**

	Business segments (customers)				
T.SEK	Academia	Com-mercial	Defense	Science	Total
Group 2019					
Geographical					
Sweden	207	1,797	0	1,303	3,307
Denmark	1,312	2,913	0	0	4,225
Europe (excluding Sweden and Denmark)	2,832	56,989	587	40,110	100,518
USA	2,015	5,361	2,014	254	9,644
Asia	2,263	4,376	0	5,966	12,605
Rest of the world	2,989	1,365	1,208	402	5,964
	11,618	**72,801**	**3,809**	**48,035**	**136,263**
Group 2018					
Geographical					
Sweden	132	0	0	740	872
Denmark	1,716	1,662	0	162	3,540
Europe (excluding Sweden and Denmark)	2,550	73,436	6	12,356	88,348
USA	0	4,653	2,958	1	7,612
Asia	4,930	12,099	2,635	2,961	22,625
Rest of the world	1,438	28,894	0	55	30,387
	10,766	**120,744**	**5,599**	**16,275**	**153,384**
Group 2019					
Major goods/service lines					
Sales of satellite solutions, platforms, payloads and subsystems (over time)	1,136	52,627	1,375	43,689	98,827
Product sales (over time)	10,482	19,685	2,434	4,346	36,947
Management fee (point of time)	0	489	0	0	489
	11,618	**72,801**	**3,809**	**48,035**	**136,263**
Group 2018					
Major goods/service lines					
Sales of satellite solutions, platforms, payloads and subsystems (over time)	3,813	93,202	5,599	15,636	118,250
Product sales (over time)	6,953	26,822	0	639	34,414
Management fee (point of time)	0	720	0	0	720
	10,766	**120,744**	**5,599**	**16,275**	**153,384**

3. Net revenue (continued)

T.SEK	Academia	Commercial	Defense	Science	Total
	Business segments (customers)				
Group 2019					
Orderbook					
Order backlog 1 January 2019	**3,282**	**685,374**	**1,866**	**24,880**	**715,402**
Currency adjustment and reclassification of orders	639	16,708	-1,356	6,035	22,026
Order intake	10,111	72,732	4,324	105,187	192,354
Cancelled orders*	-1,186	-638,023	0	-1,570	-640,779
Converted to revenue	-11,618	-72,801	-3,809	-48,035	-136,263
Order backlog 31 December 2019	**1,228**	**63,990**	**1,025**	**86,497**	**152,740**

* In the commercial segment the order from Sky and Space Global is excluded. The order has a value of T.SEK 613,020. See also risk description in note 2.

T.SEK	Academia	Commercial	Defense	Science	Total
Group 2018					
Orderbook					
Order backlog 1 January 2018	**6,935**	**696,383**	**3,904**	**16,166**	**723,388**
Currency adjustment and reclassification of orders	-712	17,082	237	-411	16,196
Order intake	7,824	91,623	3,289	26,466	129,202
Converted to revenue	-10,765	-119,714	-5,564	-17,341	-153,384
Order backlog 31 December 2018	**3,282**	**685,374**	**1,866**	**24,880**	**715,402**

Out of the backlog as at 31 December 2018, T.SEK 621,038 is related to Sky Space and Global which is expected to be recognized within more than a year. See also risk description in note 2.

T.SEK	2019	2018
Revenue to be recognized from contracts		
Within one year	111,041	88,632
More than a year	41,699	626,770
	152,740	**715,402**

Group revenue

Geographical

Revenue from the Netherlands accounts for 31% of the total net revenue (9% in 2018).
Revenue from the United Kingdom accounts for 25% of the total net revenue (23% in 2018).
Revenue from Luxembourg accounts for 4% of the total net revenue (11% in 2018).
Revenue from Mauritius accounts for a negative 1% of the total net revenue (19% in 2018).

Customers

Revenue from The European Space Research and Technology Centre accounts for 31% (8%) of the total revenue.
Revenue from Sky & Space Global accounts for 22% (23%) of the total revenue.
Revenue from Aerial & Maritime Ltd. accounts for a negative 1% (19%) of the total revenue.

Parent company

Revenue in the parent company mainly consists of revenue from management fee to subsidiaries and associates.

4. Staff costs

T.SEK	Basic salary, board fee*	Bonus	Share-based payments	Pension costs	Other remunera-tion	Total
2019						
Chairman of the board						
Jukka Pekka Pertola	386	0	0	0	0	386
Board members						
Niels Jesper Jespersen Jensen	193	0	0	0	0	193
Steen Lorenz Johan Hansen	193	0	0	0	0	193
Henrik Schibler	153	0	0	0	0	153
Nomination Committee						
Stefan Gardefjord	20	0	0	0	0	20
	945	0	0	0	0	945
Key management personnel						
CEO, Niels Buus	1,881	0	56	0	247	2,184
Other key management personnel (6 persons)	6,736	468	138	208	407	7,957
	8,617	468	194	208	654	10,141
Total	**9,562**	**468**	**194**	**208**	**654**	**11,086**
The subsidiaries' share of this amount is	*8,617*	*468*	*194*	*208*	*654*	*10,141*

T.SEK	Basic salary, board fee*	Bonus	Share-based payments	Pension costs	Other remunera-tion	Total
2018						
Chairman of the board						
Jukka Pekka Pertola	250	0	0	0	0	250
Board members						
Niels Jesper Jespersen Jensen	125	0	0	0	0	125
Steen Lorenz Johan Hansen	125	0	0	0	0	125
Carl-Erik Jørgensen*	61	0	0	0	0	61
Anna Hilda Elisabet Rathsman*	52	0	0	0	0	52
	613	0	0	0	0	613
Key management personnel						
CEO, Niels Buus	1,957	688	184	0	0	2,829
Other key management personnel (5 persons)	5,808	1,769	423	18	0	8,018
	7,765	2,457	607	18	0	10,847
Total	**8,378**	**2,457**	**607**	**18**	**0**	**11,460**
The subsidiaries' share of this amount is	*7,765*	*2,457*	*607*	*18*	*0*	*10,847*

* Mr. Jørgensen and Ms. Rathsman resigned from the board during the year and therefore they did not receive full board fee.

4. Staff costs (continued)

T.SEK	2019	2018
GomSpace Group AB		
*Board of directors and other key management personnel**		
Wages and salaries	945	613
Share-based payments	0	0
Social security contributions	0	0
Pension costs	0	0
	945	**613**

*Management in GomSpace Group AB is employed in GomSpace A/S. GomSpace A/S invoices management fee to GomSpace Group AB and GomSpace Group AB invoices management fee to the subsidiaries.

Other employees		
Wages and salaries	885	1,725
Share-based payments	0	0
Social security contributions	302	428
Pension costs	238	244
	1,425	**2,397**
Subsidiaries		
Other employees		
Wages and salaries	125,799	151,726
Share-based payments	2,028	6,663
Social security contributions	4,839	3,952
Pension costs	13,698	14,216
	146,364	**176,557**
Of which:		
Wages and salaries capitalized as development projects	24,988	50,339
	121,376	**126,218**
Group total		
Wages and salaries	127,629	154,064
Share-based payments	2,028	6,663
Social security contributions	5,141	4,380
Pension costs	13,936	14,460
	148,734	**179,567**
Of which:		
Wages and salaries capitalized as development projects	24,988	50,339
	123,746	**129,228**

T.SEK	2019	2018
Other employee costs	4,318	7,370
Total staff costs	**128,064**	**136,598**
Staff costs are included in:		
Costs of goods sold	67,828	71,998
Sales and distribution costs	17,366	20,968
Development costs*	45,144	64,497
Administrative costs	22,714	29,475
Total staff costs	**153,052**	**186,938**
*of which:		
Wages and salaries capitalized as development projects	24,988	50,339
Total staff costs	**128,064**	**136,599**
Average number of full time employees per country		
Parent company		
Sweden (of which women, %)	1 (100%)	2 (50%)
	1 (100%)	**2 (50%)**
Subsidiaries		
Sweden (of which women, %)	19 (7%)	16 (14%)
Denmark (of which women, %)	136 (20%)	175 (22%)
Luxembourg (of which women, %)	10 (10%)	4 (14%)
USA (of which women, %)	1 (0%)	1 (91%)
Asia (of which women, %)	1 (0%)	1 (0%)
	167 (18%)	**197 (22%)**
Group total	**168 (18%)**	**199 (22%)**

4. Staff costs (continued)

T.SEK	2019	2018
Number of employees per country as at 31 december		
Parent company		
Sweden (of which women, %)	1 (100%)	2 (50%)
	1 (100%)	**2 (50%)**
Subsidiaries		
Sweden (of which women, %)	18 (6%)	20 (10%)
Denmark (of which women, %)	100 (18%)	200 (24%)
Luxembourg (of which women, %)	14 (7%)	7 (14%)
USA (of which women, %)	1 (0%)	1 (0%)
Asia (of which women, %)	0 (0%)	1 (0%)
	133 (15%)	**229 (22%)**
Group total	**134 (16%)**	**231 (23%)**
Share of women on the board of directors	0%	0%
Share of men on the board of directors	100%	100%
Share of women amongst key management personnel	0%	0%
Share of men amongst key management personnel	100%	100%

Termination benefits
Termination benefits are payable when employment is terminated by the group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. CEO has a retirement period of 6-12 months and key management personnel has a retirement period of 1-6 month(s) and retirement remuneration of 0-2 month(s) salary.

5. Share-based payment

The Board of Directors of GomSpace Group AB (parent company of GomSpace A/S) obtained approval to implement a share-based incentive program (equity-settled share-based payment transactions) in the form of a warrant scheme offered to all Danish and Swedish employees of the group. The warrants provide participants the right to purchase newly issued shares in GomSpace Group AB. In 2019, no warrants were approved and granted to employees of GomSpace A/S.

In 2018 a total of 328,541 warrants were approved and granted to employees of GomSpace A/S in April 2018. The warrants were granted by GomSpace Group AB. The share-based payment transaction is accounted for as an equity-settled share-based payment scheme in GomSpace A/S. The warrants vest in four equal annual instalments commencing on the date of grant, with the final instalment vesting on 28 April 2021. The warrants can be exercised between 26 April 2021 and 26 April 2022 within certain exercise windows. Vesting of the warrants will be conditional upon continued employment of the participants.

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for warrants (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using the Black-Scholes option pricing valuation model, please see below.

In the consolidated financial statements of the Group, that cost is recognized in employee benefits expense, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the income statement for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

The financial statements of GomSpace Group AB, as principal to the share-based payment transaction, will recognize an increase in the cost of investment in the subsidiary receiving the employment services, representing a capital contribution, based on the share-based payment charge over the vesting period.

A management recharge based on the grant date fair value of the warrants is accrued over the vesting period of the share-based payment. The accrued recharge is credited against the cost of investment (being a return of capital contribution), up to the amount of the original capital contribution, with any excess recharge being recognized in the income statement.

The total expense recognized in the income statement for the year related to the warrant schemes was T.SEK 2,028 (2018: T. SEK. 6,663).

5. Share-based payment (continued)

The fair value of the warrants has been calculated using the Black-Scholes option pricing model. Key inputs in the valuation model include:

	2017		2018
Warrant Program	**27 April**	**24 August**	**26 April**
Expected future dividend (SEK per share)	0	0	0
Volatility	70%	70%	58%
Risk free interest rate	0%	0%	1%
Life of warrant	48 months	48 months	48 months
Share price at grant date (SEK per share)	54.0	58.3	60.4
Exercise price (SEK per share)	45.1	45.1	54.1
Fair value at grant date (SEK per warrant)	27.6	30.9	25.4
Outstanding warrants 31 December 2018	218,877	120,043	294,025
Outstanding warrants 31 December 2019	212,445	116,516	244,303

The volatility has been determined using the volatility in GomSpace Group AB's share price, together with bench-marking against peer group companies.

Exercise price is calculated as follows:

- Warrant program 2017/20 first award is based on the volume weighted average last closing price for 20.04.2017 to 26.04.2017. On 7 December 2018, the exercise price is changed to 45.1 due to the dilution effect related to the rights issue in December 2018.
- Warrant program 2017/20 second award is based on the volume weighted average last closing price for 20.04.2017 to 26.04.2017. On 7 December 2018, the exercise price is changed to 45.1 due to the dilution effect related to the rights issue in December 2018.
- Warrant program 2018/21 is based on the volume weighted average last closing price for 19.04.2018 to 25.04.2018. On 7 December 2018, the exercise price is changed to 54.1 due to the dilution effect related to the rights issue in December 2018.

Set out below is the summary movements in warrants during the year. All warrants granted in the year related to warrant program 2018 have an exercise price of SEK 54.1. All warrants granted related to the warrant programs in 2017 have an exercise price of SEK 45.1.

No. warrants	2019	2018
Outstanding at 1 January	632,945	393,647
Granted	-	328,540
Forfeited	-59,681	-89,242
Exercised	-	0
Expired	-	0
Outstanding at 31 December	573,264	632,945
Exercisable at 31 December	-	-

The remaining contractual life of all warrants granted in 2017 is 16 months (2018: 28 months).
The remaining contractual life of all warrants granted for the award in 2018 is 28 months (2018: 40 months)

6. Depreciation and amortizations

T.SEK	Group 2019	Group 2018*	GomSpace Group AB 2019	GomSpace Group AB 2018
Costs of goods sold	10,401	3,711	0	0
Sales and distribution costs	1,661	799	0	0
Development costs	6,133	3,698	0	0
Administrative costs	2,473	1,391	0	0
Total depreciation	**20,668**	**9,599**	**0**	**0**
Costs of goods sold	6,878	4,375	0	0
Sales and distribution costs	442	888	0	0
Development costs	3,753	4,182	0	0
Administrative costs	644	1,456	0	0
Total amortizations	**11,717**	**10,901**	**0**	**0**

7. Remuneration to auditors

T.SEK	Group 2019	Group 2018*	GomSpace Group AB 2019	GomSpace Group AB 2018
Appointed auditor				
Ernst & Young				
Audit service	941	1,582	273	574
Other services	376	1,020	230	447
Tax advise services	337	392	0	392
Other non-audit services	0	794	0	707
Total	**1,654**	**3,788**	**503**	**2,120**
Others				
Other services	136	668	117	0
Tax advise services	10	109	1	9
Total	**146**	**777**	**118**	**9**
Total	**1,800**	**4,565**	**621**	**2,199**

8. Finance income

T.SEK	Group 2019	Group 2018*	GomSpace Group AB 2019	GomSpace Group AB 2018
Interest income to subsidiaries	0	0	2,230	2,114
Interest income	10	2	8	1
Exchange rate adjustments	475	3,456	228	0
Fair value gains on securities	0	10	0	0
	485	**3,468**	**2,466**	**2,115**

9. Finance expenses

T.SEK	Group 2019	Group 2018*	GomSpace Group AB 2019	GomSpace Group AB 2018
Interest expenses from subsidiaries	0	0	0	83
Interest leasing liabilities	1,642	7	0	0
Exchange rate adjustments	2,570	3,916	0	2,308
Other financial expenses, including bank fees	2,981	3,643	345	122
	7,193	**7,566**	**345**	**2,513**

**The comparative figures are not restated to the effect of the IFRS 16 implementation.*

10. Tax on profit (loss) for the year

	Group		GomSpace Group AB	
T.SEK	**2019**	**2018***	**2019**	**2018**
Tax on profit (loss) for the year comprises				
Current tax on profit (loss) for the year [1)]	-6,162	-7,497	0	0
Changes in deferred tax	11,294	-2,816	3,520	-1,265
Adjustments to previous years	0	0	0	0
Tax expense/(income) for the year	**5,132**	**-10,313**	**3,520**	**-1,265**
Reconciliation of effective tax rate:				
Profit (loss) before tax	-146,531	-122,812	-17,983	-6,968
Swedish tax rate for GomSpace Group AB (publ)	21.4%	22.0%	21.4%	22.0%
Tax expense/(income)	-31,358	-27,019	-3,848	-1,533
Tax effect of:	6,100	1,937	2,663	1
Non-deductible expenses	181	549	33	267
Changes to the Swedish tax rate	-725	-56	0	0
Effect of foreign tax rates	30,934	14,276	4,672	0
Tax value of unrecognized tax asset	**5,132**	**-10,313**	**3,520**	**-1,265**
Tax on profit (loss) for the year	-4%	8%	-20%	18%
Effective tax rate				
Income tax expense/(income)				
reported in the income statement	5,132	-10,313	3,520	-1,265
	5,132	**-10,313**	**3,520**	**-1,265**

[1)] A part of the tax loss for the year is caused by development costs. According to the Danish tax legislation the tax value (22%) of development costs can be paid out subsequent to the filing of the taxable income for the year. Accordingly, the tax loss carried forward is reduced.

Tax loss carry-forward	311,668	206,254	70,764	60,222
Unrecognized as deferred tax asset	-258,452	-107,897	-70,764	-43,008
Tax loss carry-forward recognized as deferred tax asset	**53,216**	**98,357**	**0**	**17,214**

**The comparative figures are not restated to the effect of the IFRS 16 implementation.*

11. Intangible assets

T.SEK	Goodwill	Technology	In-process development projects	Completed development projects	Other intangible assets	Total
Group						
Cost price at 1 January 2019	3,710	12,000	70,415	33,618	21,693	141,436
Additions during the year	0	0	14,738	0	260	14,998
Disposals during year	0	0	0	-12,793	-962	-13,755
Reclassification	0	0	-14,255	14,255	0	0
Exchange rate adjustment	0	0	959	581	305	1,845
Cost price at 31 December 2019	3,710	12,000	71,857	35,661	21,296	144,524
Amortization at 1 January 2019	0	-1,800	0	-13,320	-7,743	-22,863
Amortization	0	-800	0	-6,279	4,638	11,717
Amortization, disposals	0	0	0	9,933	962	10,895
Exchange rate adjustment	0	0	0	-234	-51	-285
Amortization at 31 December 2019	0	-2,600	0	-9,900	-11,470	-23,970
Carrying amount at						
31 December 2019	**3,710**	**9,400**	**71,857**	**25,761**	**9,826**	**120,554**
Cost price at 1 January 2018	3,710	12,000	26,576	14,509	20,843	77,638
Additions during the year	0	0	61,334	0	110	61,444
Reclassification	0	0	-18,542	18,542	0	0
Exchange rate adjustment	0	0	1,047	567	740	2,354
Cost price at 31 December 2018	3,710	12,000	70,415	33,618	21,693	141,436
Amortization at 1 January 2018	0	-1,000	0	-8,146	-2,418	-11,564
Amortization	0	-800	0	-4,847	-5,254	-10,901
Exchange rate adjustment	0	0	0	-327	-71	-398
Amortization at 31 December 2018	0	-1,800	0	-13,320	-7,743	-22,863
Carrying amount at						
31 December 2018	**3,710**	**10,200**	**70,415**	**20,298**	**13,950**	**118,573**

11. Intangible assets (continued)

Other intangible assets primarily consist of cost for the new ERP system and software.

Apart from goodwill, management considers that all intangible assets have definite useful lives. In 2019, the Group received T.SEK 14,503 (2018: T. SEK 4,046) in government grants which are set off against additions during the year. Intangible assets have a carrying amount of T.SEK 15,224 (T.SEK 12,371 in 2018) in Sweden, a carrying amount of T.SEK 100,131 (T.SEK 98,351 in 2018) in Denmark and a carrying amount of T.SEK 5,199 (T.SEK 7,851 in 2018) in Luxembourg.

Goodwill
The Group as a whole is identified as a Cash Generating Unit (CGU). The group has realized a loss of T.SEK 152,820 in 2019 (2018: loss of T.SEK. 112,498) which is lower than expected. GomSpace expectations for the next years is aiming to generate growth in sales, supported by the underlying market. GomSpace targets a gross margin exceeding 50 percent, in the medium term. The group's activities are primarily carried out in GomSpace A/S and in a smaller scale in subsidiaries in Sweden, Singapore, USA and Luxembourg. GomSpace Group AB's sole activity is holding of shares in subsidiaries and associates as well as the stock listing on NASDAQ First North Premier.

Based on the market value of GomSpace Group AB on NASDAQ First North Premier in Stockholm (2019: mSEK 588 and 2018: mSEK 532) management assesses there is headroom between the recoverable amount and the carrying amount of goodwill and intangible assets as at 31 December 2019 similar to 31 December 2018.

Furthermore, management has prepared impairment tests based on the discounted cash flow model reflecting the financial targets for the coming five-year period, market reports on future growth and technology trends. Management applies a five-year period to reflect the long-term approach to customers' purchasing decisions. Cash flows beyond the five-year period are extrapolate using an estimated growth rate. The impairment test also shows that there is headroom between the recoverable amounts and the carrying amounts of goodwill and non-current assets as at 31 December 2019 similar to 31 December 2018. Furthermore, management has prepared consoldated impairment test based on the discounted cash flow model reflecting the financial targets for the coming five-year period, market reports on future growth and technology trends. Management applies a five-year period to reflect the long-term approach to customers' purchasing decisions. Cash flows beyond the five-year period are extrapolate using an estimated growth rate. Key asumptions includes revenue, EBIT, investments growth rate in terminal period and discounting factor (WACC) according to specification below including sensitivty analysis. Impairment test shows a higher value than market value and therefore significant margin compared to carrying amounts of goodwill and long-term assets.

	2019			2018	
	Terminal period	Actual	Sensitivity	Terminal period	Actual
Revenue	2,075 mSEK	136 mSEK	1,098 mSEK	3,476 mSEK	152 mSEK
Growth rate	2%	11%	-46%	2%	52%
EBIT ratio	26%	-84%	5%	33%	-77%
Investments	19.2 mSEK	38.5 mSEK	1,989.9 mSEK	347.6 mSEK	90.8 mSEK
Discounting factor (WACC)	10.40%	-	25.30%	13.80%	-

In-process development projects
In-process development projects are subject to an annual impairment test. In-process development projects consist of nanosatellite platforms as well as expanding our processing and radio capabilities with more powerful processing components, high-power antennas and support for new frequency bands beyond VHF, UHF and S band frequencies. Please refer to management's review on pages 11-12 "Market development" and page 13 "Product development".

The carrying amount for in-process development projects as at 31 December 2019 amounts to T.SEK 71,857 (T.SEK 70,415 as at 31 December 2018).

The in-process development projects are primarily carried out in GomSpace A/S. In line with expectations, a part of the in-process development projects last year is completed during 2019. Parts of the in-process development projects are expected to be completed during 2020. Management expects the development projects to increase revenue for the group in 2020 and the following years. Please refer to the expectations described above.

The in-process development projects are tested annually for impairment and as a minimum as at 31 December. The recoverable amount of the in-process development projects was set based on computations of value in use. The value in use is based on business plans approved by management for the individual in-process development projects, including projected cash inflows from budgeted and estimated revenue as well as budgeted and estimated cash outflows from completing the projects and cash flows related to the sale of the developed products. The business plans are among other things based on market reports on future growth and technology trends.

Based on the impairment tests, management assesses there is headroom between the recoverable amount and the carrying amount of in-process development projects as at 31 December 2019.

Other intangible assets, including technology and completed development costs
With reference to the expectations described above, management has not identified any factors indicating the need to carry out impairment tests for other intangible assets, including technology and completed development costs in 2019 and 2018.

Development costs recognized in the income statement
Development costs recognized in the income statement in 2019 amount to T.SEK 40,635 (T.SEK 58,119 in 2018).

12. Property, plant and equipment

T.SEK	Leasehold improvements	Other fixtures, fittings, tools and equipment	Total property, plant and equipment
Group			
Cost price at 1 January 2019	27,419	25,083	52,502
Transfer of financing lease	0	-4,129	-4,129
Additions during the year	5,369	1,584	6,953
Disposals during the year	-1,153	-5,691	-6,844
Exchange rate adjustment	346	328	674
Cost price at 31 December 2019	31,981	17,175	49,156
Depreciation at 1 January 2019	-2,956	-11,635	-14,591
Transfer of financing lease	0	30	30
Depreciation	-5,463	-4,589	-10,052
Disposals during the year	1,153	5,539	6,692
Exchange rate adjustment	20	-193	-173
Depreciation at 31 December 2019	-7,246	-10,848	-18,094
Carrying amount at 31 December 2019	**24,735**	**6,327**	**31,062**
Cost price at 1 January 2018	9,963	16,372	26,335
Additions during the year	17,081	8,267	25,348
Disposals during the year	0	-204	-204
Exchange rate adjustment	375	648	1,023
Cost price at 31 December 2018	27,419	25,083	52,502
Depreciation at 1 January 2018	-858	-4,144	-5,002
Depreciation	-2,070	-7,529	-9,599
Disposals during the year	0	200	200
Exchange rate adjustment	-28	-162	-190
Depreciation at 31 December 2018	-2,956	-11,635	-14,591
Carrying amount at 31 December 2018	**24,463**	**13,448**	**37,911**

Property, plant and equipment have a carrying amount of T.SEK 14,126 (T.SEK 3,651 in 2018) in Sweden, a carrying amount of T.SEK 2,577 (T.SEK 0 in 2018) in Luxembourg and a carrying amount of T.SEK 68,900 (T.SEK 34,342 in 2018) in Denmark. GomSpace Group AB's property, plant and equipment are located in both Sweden, Luxembourg and Denmark.

Finance leases (2018)
The carrying value of other fixtures, fittings, tools and equipment held under finance leases at 31 December 2018 was T.SEK 4,098. Additions during 2018 include T.SEK 4,128 of other fixtures, fittings, tools and equipment under finance leases. Leased assets are pledged as security for the related finance lease liabilities.

13. Right of use assets (leasing)

Leasing assets

T.SEK	Property	Other fixtures, fittings, tools and equipment	Total
Group			
Balance at 1 January 2019 (finance leased assets)	0	4,097	4,097
Effect from implementing IFRS 16	56,437	1,112	57,549
Adjusted balance at 1 January 2019	56,437	5,209	61,646
Exchange rate adjustment	669	188	857
Additions	3,148	0	3,148
Disposals	-355	-139	-494
Depreciation	-9,314	-1,302	-10,616
Balance at 31 December 2019	**50,585**	**3,956**	**54,541**

The weighted rate amounts to 2-4%.

Leasing liabilities

T.SEK	Group 2019	Group 2018	GomSpace Group AB 2019	GomSpace Group AB 2018
Within 0-1 years	12,247	1,332	0	0
Within 1-5 years	41,249	3,021	0	0
After 5 years	5,849	0	0	0
Total non-discounted leasing payments	**59,345**	**4,353**	**0**	**0**
Recognized in balance at 31 December				
Current leasing liability (0-1 years)	10,769	1,150	0	0
Non-current leasing liability (after 1 year)	43,956	2,890	0	0
	54,725	**4,040**	**0**	**0**
Income statement leasing costs				
Interest costs related to leasing contracts	1,642	7	0	0
Payments related to short-term leasing contracts	0	0	0	0
Payments related to low-value leasing contracts	909	0	0	0
Operating lease liability as at 31 December 2018	39,914	0	0	0
Graduated mortgage payments based on index, etc.	562	0	0	0
Prolonged options (change in assessment and estimate as regards the lease period)	24,941	0	0	0
Discounted cash flow with alternative loan interest	-6,283	0	0	0
Low-value assets	-1,585	0	0	0
Debt at the beginning of the year	**57,549**	**0**	**0**	**0**

14. Investments in subsidiaries

T.SEK	2019	2018
GomSpace Group AB		
Cost price at 1 January	294,330	148,455
Adjustment to cost price	0	0
Additions during the year*	10,363	145,875
Capital contribution (share-based payments)**	2,028	6,663
Return of capital contribution**	-2,028	-6,663
Cost price at 31 December	**304,693**	**294,330**

* Additions during 2019 comprise the shareholders' contribution in subsidiaries at an amount of T.SEK 10,363 (2018: T.SEK 145,875).
** See a description of the accounting policies related to the treatment of share-based payment transactions in note 1 and note 5.

Impairment test
Investments in subsidiaries are measured in the parent company's financial statements at cost price. If there is an indication of impairment, the recoverable amount of the asset is calculated. The recoverable amount is the highest of the fair value or value in use.

The carrying amount for investments in subsidiaries amounts to T.SEK 304,693 as at 31 December 2019 (T.SEK 294,330 as at 31 December 2018).

The group has realized a loss of T.SEK 152,820 in 2019 (T.SEK 112,498 in 2018) which is lower than expected. Expectations for the next years is aiming to generate growth in sales, supported by the underlying market. GomSpace targets a gross margin exceeding 50 percent, in the medium term.

The group's activities are primarily carried out in GomSpace A/S with a booked amount of T.SEK 245,846 as at 31 December 2019 (T.SEK 245,846 as at 31 December 2018) and in a smaller scale in GomSpace Sweden AB with a booked amount of T.SEK 45,056 as at 31 December 2019 (T.SEK 45,056 as at 31 December 2018). Activites through subsidiaries in Singapore, USA and Luxembourg have been moderate in 2019 similar to 2018. GomSpace Group AB's sole activity is holding of shares in subsidiaries and associates as well as the stock listing on NASDAQ First North Premier.

Based on the market value of GomSpace Group AB on NASDAQ First North Premier in Stockholm (2019: mSEK 588 and 2018: mSEK 532), management assesses there is headroom between the recoverable amount and the carrying amount of the subsidiaries as at 31 December 2019 similar to 31 December 2018.

Furthermore, management has prepared impairment tests for the Group as one CGU based on the discounted cash flow model reflecting the financial targets for the coming five-year period, market reports on future growth and technology trends. Management applies a five-year period to reflect the long-term approach to customers' purchasing decisions. Cash flows beyond the five-year period are extrapolate using an estimated growth rate.

The impairment tests indicate that there is headroom between the recoverable amounts and the carrying amounts of the shares in subsidiaries as at 31 December 2019 similar to 31 December 2018. Refer to note 11 for key assumptions.

T.SEK	GomSpace A/S 30899849 Aalborg, Denmark	GomSpace Sweden AB 556643-0475 Uppsala, Sweden	GomSpace Orbital ApS 38173561 Aalborg, Denmark	Gomspace North America LLC S667083-2 Washington, USA	Gomspace Asia Pte Ltd 201707094C Singapore	GomSpace Luxembourg SARL 1008250/0 Luxenbourg
Result	-102,239	-17,506	-442	151	139	1,514
Equity	15,286	1,533	-3,362	2,893	1,686	10,507
Proportion of shares	100%	100%	100%	100%	100%	100%
Booked value	245,846	45,056	65	1,105	2,142	10,479
Carrying amount of equity 2019	15,286	1,533	-3,362	2,893	1,686	10,507
Carrying amount of equity 2018	114,259	19,039	-2,883	2,605	1,480	-915
Carrying amount of equity 2017	59,201	15,792	-1,367	1,210	2,290	118
Carrying amount of equity 2016	35,487	8,360	-223	0	0	0

15. Investment in associates

The Group has a 39% interest in Aerial & Maritime Ltd., domiciled in Mauritius. The purpose of the company is to develop and operate its own constellation of nanosatellites. Aerial & Maritime Ltd. is a private entity that is not listed on any public exchange. The Group's interest in Aerial & Maritime Ltd. in terms of accounting is to use the equity method in the consolidated financial statements. The following tables illustrates the summarized financial information of the Group's investment in Aerial & Maritime Ltd:

	Group		GomSpace Group AB	
T.SEK	**2019**	**2018**	**2019**	**2018**
Cost at 1 January	24,114	24,114	24,114	24,114
Additions	0	0	0	0
Cost at 31 December	24,114	24,114	24,114	24,114
Value adjustments at 1 January	10,485	17,778	0	0
Share of profit (loss)	-2,621	-2,112	0	0
Impairment of associates	-23,346	0	-12,442	0
Eliminations*	2,865	-8,593	0	0
Foreign exchange adjustments	175	3,412	0	0
Value adjustments at 31 December	-12,442	10,485	-12,442	0
Carrying amount at 31 December	**11,672**	**34,599**	**11,672**	**24,114**

*Elimination of gain on contract work for the associated company.

T.SEK	**2019**	**2018**
Aggregated financial information for associates:		
Current assets	14,407	21,720
Non-current assets	81,191	79,068
Current liabilities	119	1,197
Equity	**95,479**	**99,591**
Group's share in equity, 39% (2018: 39%)	37,243	38,847
Goodwill	8,892	8,562
Elimination of unrealized profits	-9,960	-12,810
Group's carrying amount of the investment (before impairment)	36,175	34,599
Impairment of associates	-23,346	0
Reversal of translation reserve	-1,157	0
Group's carrying amount of the investment (after impairment)	**11,672**	**34,599**
Administration costs	-6,681	-6,174
Interest	-147	-334
Loss before tax	-6,828	-6,508
Income tax expense	112	1,094
Loss for the year	**-6,716**	**-5,414**
Group's share of loss for the year	**-2,621**	**-2,112**
Loss for the year	-6,716	-5,414
Other comprehensive income	4,483	8,746
Total comprehensive income	**-2,233**	**3,332**
Group's share of comprehensive income	**1,333**	**3,412**
Aerial & Maritime Ltd. Domiciled in Mauritius Corporate ID:142963		
Proportion of shares	39%	39%
Fair value	11,672	173,759

The fair value is set at a realizable value of T.SEK 11,672 and therefore GomSpace has written down the investment in A&M. A&M has been restricted in its operation during the last 12 to 18 months. The company failed in getting financed and the shareholders in A&M did not manage to enter an agreement on alternative financing solutions.

16. Deferred tax

T.SEK	Group 2019	Group 2018	GomSpace Group AB 2019	GomSpace Group AB 2018
Deferred tax at 1 January	12,373	9,297	3,520	2,255
Deferred tax recognized in the income statement	-11,294	2,816	-3,520	1,265
Exchange rate adjustment	94	260	0	0
Deferred tax at 31 December	**1,173**	**12,373**	**0**	**3,520**
Deferred tax relates to:				
Intangible assets	-14,968	-21,617	0	0
Property, plant and equipment	-5,491	5,899	0	0
Short-term assets	133	3,312	0	0
Short-term liabilities	9,792	3,628	0	0
Tax loss carry-forwards	11,707	21,151	0	3,520
	1,173	**12,373**	**0**	**3,520**
Deferred tax assets	1,173	12,373	0	3,520
Deferred tax liabilities	0	0	0	0
Deferred tax, net	**1,173**	**12,373**	**0**	**3,520**

The group has updated the analysis of the expected utilization of tax loss carry-forwards based on existing facts and the development regarding deferred tax assets under IFRS. As a consequence of the significant decrease in the order backlog and lower order intake than expected during the year, which has caused overcapacity, the Group has written down further deferred tax assets during 2019. As a result of the European Securities and Markets Authority's statement made in July 2019 regarding recognition of deferred tax, the Company evaluates that the previous assessment of deferred tax should be reviewed. The group had a recognized deferred tax loss carry-forward at a total amount of T.SEK 11,707 as at 31 December 2019 (T.SEK 21,151 as at 31 December 2018). Unrecognized tax assets regarding tax losses carry-forward amount to T.SEK 55,413 as at 31 December 2019 (T.SEK 21,220 as at 31 December 2018) for the Group.

The parent company had a non-recognized deferred tax loss carry-forward at a total amount of T.SEK 70,764 (T.SEK 43,008). This amount can only be used by the Swedish entities and no tax profit is expected to be generated within a foreseeable future. Once the non-recognized deferred tax loss carry-forward in the parent company is recognized, part of this is done over equity as it regards deferred tax concerning expenses booked on equity.

17. Other non-current assets

Other non-current assets as at 31 December 2019 and 2018 consist of lease deposits.

18. Inventories

T.SEK	Group 2019	Group 2018
Finished goods	0	0
Raw materials and consumables	21,493	27,082
Work in progress	2,640	2,968
	24,133	**30,050**

T.SEK 51,850 of inventories was recognized in cost of sales during 2019 (T.SEK 36,772 in 2018). Write-downs of inventories in 2019 amounted to T.SEK 64 (T.SEK 365 in 2018).

19. Contract work

T.SEK	Group 2019	Group 2018
Revenue from contract work	184,131	244,602
Less progress billings	-200,538	-263,499
Exchange rate adjustment	338	4
	-16,069	**-18,893**
Recognized in the balance sheet as:		
Amounts due from customers for contract work	13,087	30,095
Amounts due to customers for contract work	-29,156	-48,988
	-16,069	**-18,893**

Contract assets are initially recognized as revenue from Sales of satellite solutions, platforms, payloads and subsystems and product sales.

Contract assets decreased in 2019 which is mainly due to lower revenue and activity than expected. Contract liabilities include advances received to deliver Sales of satellite solutions, platforms, payloads and subsystems. The outstanding balances of these accounts decreased in 2019 due to lower activity in the Group. In 2019, T.SEK 1,161 (2018: T. SEK 1,953) was recognized as provision for expected losses on contract assets.

20. Trade receivables

(from contract work) T.SEK	Group 2019	Group 2018
Contract work	13,087	30,095
Trade receivables, others	53,295	52,081
Trade receivables, associates	183	543
Write-downs	-16,266	-813
	50,299	**81,906**
Ageing of receivables		
Not due and contract work	28,811	34,003
0 - 30 days overdue	10,359	9,189
31 - 90 days overdue	3,478	29,853
>90 days overdue	7,651	8,861
	50,299	**81,906**
Movement in allowance for doubtful trade receivables		
Carrying amount at the beginning of the year	813	1,595
Allowances for losses during the year	15,582	-847
Confirmed losses	-141	0
Exchange rate adjustment	12	65
	16,266	**813**

As at 31 December 2019, trade receivables at an amount of T.SEK 21,488 (T.SEK 47,903 in 2018) were past due but not impaired. As at 31 December 2019, due receivables relate to a number of independent customers where there is no recent history of non-payment. Payments totalling T.SEK 27,874 have been received in 2020.

The remaining trade and other receivables do not contain impaired assets as these are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The group does not hold any collateral in relation to these receivables.

21. Tax receivable

A part of the tax loss for the year is caused by development costs. According to the Danish tax legislation, the tax value (22%) of development costs can be paid out subsequent to the filing of the taxable income for the year. Accordingly, the tax loss carried forward is reduced.

22. Prepayments

	Group		GomSpace Group AB	
T.SEK	2019	2018	2019	2018
Prepayments for inventories	2,100	4,719	0	0
Rental costs	475	397	0	0
Prepaid insurance	531	1,184	282	9
Prepayments to suppliers	5	271	0	0
Other prepayments	1,014	1,243	152	0
Deferred tax at 31 December	**4,125**	**7,815**	**434**	**9**

23. Cash and cash equivalents

Of the total cash and cash equivalents amount, an amount of T.SEK 20,923 (T.SEK 20,664 in 2018) is deposited as security for projects in the subsidiaries GomSpace A/S and GomSpace Sweden AB. The amount is deposited in GomSpace Group AB and in GomSpace Sweden AB.

24. Share capital

The share capital comprises 52,274,803 shares at a nominal value of SEK 0.07 each. No shares carry any special rights.

	Number of shares
Changes in share capital:	
Share capital at 1 January 2016	13,907,334
Capital increase 2016	8,000,000
Capital increase 2016	2,000,000
Capital increase 2016	600,000
Capital increase 2017	1,750,000
Capital increase 2018	26,017,469
Share capital at 31 December 2019, fully paid	**52,274,803**

Capital management
The Group is primarily financed through equity with an equity ratio of 68% as at 31 December 2019 (73% as at 31 December 2018), but will use debt financing when this can be achieved at attractive conditions. Management evaluates the need for capital on an ongoing basis. The objectives when maintaining capital are to maintain sufficient capital in order to meet short-term obligations and at the same time maintain investor's confidence required to sustain future development of the business.

The group is not exposed to any externally imposed capital requirements.

T.SEK	2019	2018*
Earnings per share, basic, SEK	-2.90	-3.93
Earnings per share, diluted, SEK	-2.90	-3.93
Number of outstanding shares basic, average	52,275	28,620
Number of outstanding shares diluted, average	52,275	28,620

**The comparative figures are not restated to the effect of the IFRS 16 implementation.*

573,264 (632,945) warrants are excluded when computing diluted result per share, these are out-of-the-money however they can potentially dilute the result per share in the future.

25. Prepayments

	Group	
T.SEK	2019	2018
Accrued income from grants received for development projects	2,308	13,100
Accrued rental reduction	1,824	1,003
	4,132	**14,103**

26. Other liabilities

	Group		GomSpace Group AB	
T.SEK	2019	2018	2019	2018
Accrued costs, including project related costs	232	20,238	0	15,003
Accrued holiday pay	12,818	21,075	86	144
Payroll liabilities	2,267	8,165	226	367
VAT	23	0	23	0
Contract work, loss	1,161	1,953	0	0
	16,501	**51,431**	**335**	**15,514**

27. Contractual commitments and contingent liabilities

T.SEK	Group 2019	Group 2018	GomSpace Group AB 2019	GomSpace Group AB 2018
Commitments				
Security for debt to credit institutions				
Security in company assets (floating charge)	46,093	44,723	0	0
Pledged bank account for the benefit of the subsidiaries	0	0	18,952	18,923
Total	**46,093**	**44,723**	**18,952**	**18,923**
Low-value assets/operating leases				
Operating lease commitments*:				
Due within 1 year	769	8,705	0	0
Due between 1 and 5 years	532	29,232	0	0
Due after 5 years	0	1,977	0	0
	1,301	**39,914**	**0**	**0**
Lease payments recognized as an expense amount to	909	8,553	0	0

*Lease commitments primarily relate to IT equipment (primarily rental in 2018).
2018: The group leases properties and cars under operating leases. Tenancy agreement was entered with a leasing period of 5-10 years whereas the leasing period for cars is typically 3 years. The above amount only contains non-terminable operating lease payments.

T.SEK	Group 2019	Group 2018	GomSpace Group AB 2019	GomSpace Group AB 2018
Contingent liabilities				
Letter of support to subsidiary				
(equity in GomSpace Orbital ApS)*	0	0	3,362	2,883
Parent company guarantee	0	0	23,840	32,108
Total	**0**	**0**	**27,202**	**34,991**

* The parent company has given a letter of support to the subsidiary GomSpace Orbital ApS stating that it will support the company financially until the general meeting in 2020, if necessary.

There are no pending court and arbitration cases.

28. Financial risks

General risk management
Due to its activities, the Group is exposed to various financial risks, including changes in foreign currency, interest, liquidity and credit risks. The Group manages the risks centrally and follows the policies approved by the Board of Directors. The Group does not actively engage in speculation of financial risks.

During the spring of 2020, the financial impact of the Covid-19 Corona virus was apparent within a number of industries. As regards our business, there has been no effect to date and we also have a sound order book, though it is difficult to make an assessment of the long-term effect as we are only in the initial phases of this situation.

Credit risks
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities which mainly relate to contract work in progress, trade receivables and other receivables, and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. Maximum exposure corresponds to the carrying amount. For sale of products an advance payment is received from the customer.

Until 1 January 2018, impairment was performed to cover losses, this was done based on an assessment of whether an objective indication had been made for the individual amount receivable or whether a portfolio had decreased in value. Objective indicators were based on historical experience on losses.

On 1 January 2018, the group implemented IFRS 9 which allows for an assessment of impairment needs regarding impairment of financial assets measured at amortized cost, including trade receivables and contract work, according to the simplified expected credit loss model. The model entails that the expected loss over the asset's useful life is recognized immediately in the income statement and monitored on an ongoing basis according to the group's risk management until realization. Impairment is computed based on expected loss rates which are stated individually, distributed by geographical location. Loss rates are computed on the basis of historical data. This data is based on expected loss over the total maturity of the amount receivable, corrected for estimates of the effect of expected changes in relevant parameters, for instance financial development, political risks etc. on the market in question.

The Group assesses the risks of losses on an ongoing basis and, if necessary, write-downs are made according to the Group's policies. Excess cash is placed with banks with ratings A or above. As of today, a material part of the Group's sales and revenue is generated from a few larger customers. There is a risk that customers do not place orders or otherwise fulfil their respective undertakings due to e.g. lack of financial resources or other circumstances beyond the Company's control. Should the Group lose business from all or some of its top customers it may have an adverse impact on the Group's business, financial position and profits in the future. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any deliveries to major customers are generally covered by letters of credit or other forms of credit insurance.

The Group's customers are both public and private enterprises. Total trade receivables amount to T.SEK 37,212 as at 31 December 2019 (T.SEK 51,811 as at 31 December 2018) of which 67% (11%) are public customers and 33% (89%) are industry customers.

An impairment analysis is performed at each reporting date. The management assesses credit risk in relation to the individual customer, taking into account whether they are public customers who are deemed to have a lower credit risk than industry customers. Except from the increased risks mentioned in note 2, the Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions. The Group's activities take place in the global market for nanosatellites and management does not distinguish between customers' geographical affiliations in the credit risk assessment. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 29.

Foreign exchange risks
The Group's sales, cost of goods sold and expenses are mainly incurred in DKK, USD or EUR. The Group has transactions in other currencies, but exposure in those currencies is not significant. There is no foreign currency hedging regarding transactions in foreign currency.

- A change in foreign exchange rates of +/- 10% in the subsidiaries in DKK will have an effect on other comprehensive income and equity before tax on T.SEK 5,183 (2018: T.SEK 17,870), based on last 12 months net flow

28. Financial risks (continued)

- A change in foreign exchange rates of +/- 10% in the associates in USD will have an effect on result and equity before tax on T.SEK 1,167 (2018: T.SEK 3,460) based on net position at balance day
- A change in foreign exchange rates of +/- 10% concerning assets and liabilities in DKK will have an effect on result and equity before tax on T.SEK 11 (2018: T.SEK 439) based on net position at balance day
- A change in foreign exchange rates of +/- 10% concerning assets and liabilities in EUR will have an effect on result and equity before tax on T.SEK 4,502 (2018: T.SEK 492) based on net position at balance day
- A change in foreign exchange rates of +/- 10% concerning assets and liabilities in USD will have an effect on result and equity before tax on T.SEK 776 (2018: T.SEK 64) based on net position at balance day

Interest rate risk
The Group's loans are carried at variable interest rates. A change in the interest level will have limited effect on the result or equity.

- A change in the interest of +/- 1% will have an effect in 2019 on result and equity before tax on T.SEK 22 (2018: T.SEK 24) based on interest-bearing loans at the balance day.

Liquidity risk
Funding and adequate liquidity are fundamental factors in driving an expanding business, and management of both is an integrated part of the Group's continuous budget and forecasting process. To ensure focus on managing the risks related to funding and liquidity, the Group manages and monitors funding and liquidity and ensures the availability of required liquidity through cash management and borrowing facilities.

By constantly maintaining cash assets or unused credit facilities, the Group ensures it has sound payment capacity which reduces the liquidity risk. Payment capacity, i.e. cash from the capital increases and cash equivalents as well as unused credit facilities as at 31 December 2019 was T.SEK 134,843 (T.SEK 276,987 in 2018).

The Group's long-term financing consists of a loan from Vækstfonden under EU's InnovFin SMV Programme in 2015. The loan bears a floating rate, 6.55% and 7.73% p.a. as at 31 December 2019 (2018: 6.3%, 7.4% and 7.5% p.a.). The loan can be redeemed by the Group at par value at any time and is subject to change of control and transfer of assets clauses.

T.SEK	0-1 year	1-5 years	>5 years	Total contractual cash flows	Carrying amount
Group					
31 December 2019					
Borrowings from credit institutions	10,664	18,065	0	28,729	23,840
Leasing liabilities	12,110	40,778	5,775	58,663	54,727
Trade and other payables	26,122	0	0	26,122	26,122
	48,896	**58,843**	**5,775**	**113,514**	**104,689**
31 December 2018					
Borrowings from credit institutions	10,792	23,968	4,446	39,206	32,108
Leasing liabilities	1,332	3,021	0	4,353	4,080
Trade and other payables	66,821	0	0	66,821	66,821
	78,945	**26,989**	**4,446**	**110,380**	**103,009**

The analysis is based on all undiscounted cash flows, including estimated interest payments and expected instalments on loans. The estimates on interest are based on current market conditions.

Fair value of the loan from credit institutions (Vækstfonden) and leasing liabilities is determined to be equal to its carrying amount these items are based on market rate (level 2 in the fair value hierarchy). Fair value of short-term liabilities is determined to equal their carrying amount.

The payment obligations are expected to be settled through cash inflows from operating activities and through cash from capital injections in previous years.

29. Classification of financial assets and liabilities

T.SEK	Financial assets measured to amortised cost price	Financial liabilities measured to amortised cost prices	Total Carrying amount
31 December 2019			
Assets			
Trade and other receivables, incl. contract work	51,674	0	51,674
Cash and cash equivalents	127,160	0	127,160
Total assets	**178,834**	**0**	**178,834**
Liabilities			
Credit institutions	0	14,874	14,874
Lease liabilities	0	43,956	43,956
Current portion of non-current liabilities	0	19,735	19,735
Trade payables	0	9,621	9,621
Other payables	0	16,501	16,501
Prepayments, incl. contract work	0	33,288	33,288
Total liabilities	**0**	**137,975**	**137,975**
31 December 2018			
Assets			
Trade and other receivables	86,037	0	86,037
Marketable securities	0	0	0
Cash and cash equivalents	269,418	0	269,418
Total assets	**355,455**	**0**	**355,455**
Liabilities			
Credit institutions	0	23,403	23,403
Lease liabilities	0	2,890	2,890
Current portion of non-current liabilities	0	9,895	9,895
Trade payables	0	15,390	15,390
Other payables	0	51,431	51,431
Prepayments	0	63,091	63,091
Total liabilities	**0**	**166,100**	**166,100**

No financial instruments are measured to fair value as at 31 December 2019 and 2018.

The different levels of fair value are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly in the form of quoted prices or indirectly, i.e. derived from quoted prices (Level 2)
- Inputs for the asset or liability which are not based on observable market data (non-observable inputs) (Level 3).

The fair values of financial instruments which are not traded in an active market are determined with the help of valuation techniques. Market data is used as far as possible when such data is available. If all significant inputs required for the fair value measurement of an instrument are observable, the instrument belongs to Level 2. In cases where one or several significant inputs are not based on observable market information, the instrument is classified as Level 3.

30. Changes in net working capital

T.SEK	Group 2019	Group 2018	GomSpace Group AB 2019	GomSpace Group AB 2018
Changes in inventories	-11,372	-24,658	0	0
Changes in trade receivables	3,081	-18,461	-103,415	-17,999
Changes in other receivables	22,663	-6,780	-395	126
Changes in trade and other payables	-48,992	31,170	-24,680	24,538
	-34,620	**-18,729**	**-128,490**	**6,665**

31. Result after tax from associates

	Group 2019	Group 2018	GomSpace Group AB 2019	GomSpace Group AB 2018
Share of profit (loss)	-2,621	-2,112	0	0
Write down of associates*	-23,346	0	-12,442	0
	-25,967	**-2,112**	**-12,442**	**0**

** the write down was performed as a result of performing a strategic review of our business*

32. Liabilities from financing of debt activities

T.SEK	At the beginning of the year	Cash flow	Non-cash alterations: Aquisition	Non-cash alterations: Exchange adjustment	At the end of the year
31 December 2019					
GomSpace Group AB					
Total liabilities from financing of debt activities	**0**	**0**	**0**	**0**	**0**
Group					
Long-term debt	83,874	-26,259	3,148	1,000	61,763
Short-term debt	9,895	9,794	0	46	19,735
Total liabilities from financing of debt activities	**93,769**	**-16,465**	**3,148**	**1,046**	**81,498**
31 December 2018					
GomSpace Group AB					
Total liabilities from financing of debt activities	**0**	**0**	**0**	**0**	**0**
Group					
Long-term debt	29,201	-4,081	0	1,173	26,293
Short-term debt	4,794	4,908	0	193	9,895
Total liabilities from financing of debt activities	**33,995**	**827**	**0**	**1,366**	**36,188**

33. Government grants

Group
During 2019, the Group received T.SEK 5,979 in public grants for development purposes (2018: T.SEK 9,366). Hereof T.SEK 0 (2018: T.SEK 0) were recognized in the income statement and T.SEK 5,979 (2018: T.SEK 9,366) are set off against the cost of the assets to which the grants relate. Of the amount, set off against the costs of assets T.SEK 437 (2018: T.SEK 5,821) are presented as prepayments.

34. Related parties

Related parties comprise the associated companies, Board of Directors and management team. Furthermore, related parties comprise companies in which the above-mentioned persons have significant interests.

Related parties also comprise subsidiaries in which GomSpace Group AB has controlling influence.

Group
The Group had expenses for accounting (with significant influence over the company) at a total amount of T.SEK 285 (T.SEK 553 in 2018), apart from management costs in note 4.

The Group has sale of goods and services to associates at a total amount of T.SEK 497 (T.SEK 29,645 in 2018). Receivables to associates amount to T.SEK 183 as at 31 December 2019 (T.SEK 543 as at 31 December 2018).

GomSpace Group AB
GomSpace Group AB had the following transactions with subsidiaries and associates:

T.SEK	**2019**	**2018**
Transactions with subsidiaries		
Sale of goods and services	25,208	24,548
Purchase of goods and services	24,041	20,668
Receivables on the balance sheet date	133,009	29,212
Liability on the balance sheet date	0	10,382
Transactions with associates		
Sale of goods and services	468	345
Receivables on the balance sheet date	39	421

35. Events after the balance sheet date

No material events have occurred subsequent to the balance sheet date.

During the spring of 2020, the financial impact of the Covid-19 Corona virus was apparent within a number of industries. As regards our business, there has been no effect to date and we also have a sound order book, though it is difficult to make an assessment of the long-term effect as we are only in the initial phases of this situation.

36. Proposed distribution of profit (loss)

GomSpace Group AB
The Board of Directors recommends the following distribution of profit/loss for the year (SEK):

	2019	**2018**
Share premium	578,311,459	578,362,832
Retained earnings	649,081	4,325,597
Profit/loss for the year	-21,503,054	-5,703,305
	557,457,486	**576,985,124**
To be distributed as follows:		
Paid out as dividend	0	0
Carried forward	557,457,486	576,985,124
	557,457,486	**576,985,124**

37. New accounting standards

The Group intends to adopt the new and amended standards and interpretations, if applicable, when it become effective. No significant impact on consolidated financial statements are expected from the new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements.

38. Definition of ESG figures

CO_2 scope 1

Formula
Greenhouse gasses are computed based on each individual fuel type, e.g.: CH4 = ∑ (used fuel type in tons * CH4 conversion factor per fuel type)

Unit: ton CO_2e

CO_2 scope 2

Formula
Scope 2 emissions are computed per land per bought MWh of electricity and/or GJ of district heating/remote cooling, e.g.: CH4 = ∑ (bought MWh or GJ * CH4 conversion factor per land)

Unit: ton CO_2e

Renewable energy share

Formula
(renewable energy/energy consumption) * 100

Unit: %

Water consumption

Formula
the sum of all used water – gross

Unit: m^3

Workforce FTEs

Formula
FTE's + temporary labour

Unit: FTE

Gender diversity, overall

Formula
((Female FTE's + female temporary labour)/(FTE workforce)) * 100

Unit: % female

Gender diversity, management

Formula
((Female managers)/(All managers)) * 100

Unit: % female

Gender pay ratio

Formula
Median male salary/Median female salary

Unit: female of male

Employee turnover rate

Formula
((Voluntary + involuntary resigning FTE's)/(FTE's) * 100

Unit: %

Sickness absence

Formula
(Number of sickness days for all own FTE's in the period)/(Total FTE's)

Unit: days per FTE

Customer retention rate

Formula
((Number of customers at the end of the period) – (New customers added during the period))/(Number of customers at the beginning of the period)) * 100

Unit: %

Gender diversity, board

Formula
((Female board members elected by the general meeting)/(All members elected by the general meeting)) * 100

Unit: %

Board meeting attendance rate

Formula
((∑ Number of board meetings where members are present) per board member/(Number of board meetings * Number of board members)) * 100

Unit: %

CEO pay ratio

Formula
CEO compensation / Median employee salary

Unit: Multiple

MANAGEMENT'S STATEMENT

The Board of Directors and the Chief Executive Officer declare that the consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU, and give a true and fair view of the group's financial position and results of operations.

The annual accounts have been prepared in accordance with generally accepted accounting policies and give a true and fair view of the parent company's financial position and results of operations.

The Administration Report for the group and parent company gives a true and fair view of the progress of the group's and parent company's operations, financial position and results of operations, and state the significant risks and uncertainties factors facing the parent company and the companies in the group.

The Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position will be submitted to the Annual General Meeting on 26 April 2020 for adoption.

Stockholm, 27 March 2020

Executive Board and Board of Directors

Niels Buus
CEO

Jukka Pekka Pertola
Chairman

Niels Jesper Jespersen Jensen

Steen Lorenz Johan Hansen

Henrik Schibler

Our audit report was submitted on 27 March 2020

Ernst & Young AB

Martin Henriksson
Authorized Public Accountant,
Auditor-in-charge

Auditor's report

To the general meeting of the shareholders of GomSpace Group AB, corporate identity number 559026-1888

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of GomSpace Group AB except for the corporate governance statement on pages 21-23 for the year 2019. The annual accounts and consolidated accounts of the company are included on pages 10-64 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 the parent company 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 income statement and balance sheet for the parent company and the group.

Basis for Opinions

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Other Information than the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises pages 1-9 and page 67.

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 Directors 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

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 Directors and the Managing Director of GomSpace Group AB 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 Directors 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 Directors 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's 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.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

The auditor´s examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 21-23 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevU 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Malmö, 27 March 2020

Ernst & Young AB

Martin Henriksson
Authorized Public Accountant

Financial Calendar

Annual general meeting	24 April 2020
Interim report, January-March 2020	27 April 2020

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