

## 1. Company details

Name of entity:	Kleos Space S. A.
ARBN:	625 668 733
RCS:	B215591
Reporting period:	For the half-year ended 30 June 2018
Previous period:	For the half-year ended 30 June 2017

## 2. Results for announcement to the market

			€
Revenues from ordinary activities	up	100% to	436,109
Loss from ordinary activities after tax attributable to the owners of Kleos Space S. A.	up	>100% to	(1,220,062)
Loss for the half-year attributable to the owners of Kleos Space S. A.	up	>100% to	(1,220,062)

### Dividends

There were no dividends paid, recommended or declared during the current financial period.

### Comments

The loss for the consolidated entity after providing for income tax amounted to €1,220,062 (Company, 30 June 2017: €861).

Further information on the 'Review of operations' is detailed in the Directors' report which is part of the Interim Report.

## 3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(2.88)	(34,198.80)

## 4. Control gained over entities

On 19 March 2018, the Company incorporated a wholly owned subsidiary, Kleos Space (Asia Pacific) Pty Ltd. Since the subsidiary was dormant throughout the period from the date of incorporation to 30 June 2018, the financial statements of the consolidated entity and the Company are the same.

## 5. Loss of control over entities

Not applicable.

## 6. Dividends

### Current period

There were no dividends paid, recommended or declared during the current financial period.

*Previous period*

There were no dividends paid, recommended or declared during the previous financial period.

---

**7. Dividend reinvestment plans**

Not applicable.

---

**8. Details of associates and joint venture entities**

Not applicable.

---

**9. Foreign entities**

*Details of origin of accounting standards used in compiling the report:*

Kleos Space S.A is incorporated in Luxembourg. The accounting standards used are International Financial Reporting Standards as adopted in the European Union.

---

**10. Audit qualification or review**

*Details of audit/review dispute or qualification (if any):*

The consolidated financial statements were subject to a review by the auditors and the review report is attached as part of the Consolidated Interim Report as at and for the financial period ended.

---

**11. Attachments**

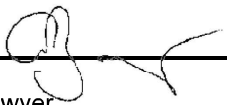
*Details of attachments (if any):*

The Consolidated Interim Report as at and for the financial period ended of Kleos Space S. A. for the half-year ended 30 June 2018 is attached.

---

**12. Signed**

Signed



Andy Bowyer  
Director  
Luxembourg

Date: 31 August 2018

# **Kleos Space S. A.**

(Formerly known as Kleos Space S. àr. l)

**ARBN 625 668 733 / RCS B215591**

**Consolidated Interim Report as at and for the financial period  
ended 30 June 2018**

Corporate directory	2
Directors' report	3
Consolidated statement of profit or loss and other comprehensive income	5
Consolidated statement of financial position	6
Consolidated statement of changes in equity	7
Consolidated statement of cash flows	8
Notes to the consolidated financial statements	9
Report of the Réviseur d'Enterprises Agréé	19

Directors	Peter Round (Executive Chairman) Andrew Bowyer (Chief Executive Officer and Executive Director) Miles Ashcroft (Chief Technical Officer and Executive Director) Erik Tyler (Executive Director) David Christie (Non-Executive Director)
Company secretary	Mertons Corporate Services
Australian Registered office	Level 7, 330 Collins Street Melbourne VIC 3000 Australia
Principal place of business	Technoport 9 Avenue des Hauts-Fourneaux L-4362 Esch-sur-Alzette Luxembourg
Share register	Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000
Auditor	Deloitte Audit S. à r. l 560 rue de Neudorf L-2220 Luxembourg
Stock exchange listing	Kleos Space S. A. CDIs are listed on the Australian Securities Exchange (ASX code: KSS)

The directors present their report, together with the consolidated financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Kleos Space S. A. (referred to hereafter as the 'Company' or 'parent entity') and its subsidiary at the end of, or during, the half-year ended 30 June 2018.

#### **Directors**

The following persons were directors of the Company during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Andrew Bowyer	
Miles Ashcroft	
Erik Tyler	(Appointed on 22 March 2018)
David Christie	(Appointed on 26 March 2018)
Peter Round	(Appointed on 5 April 2018)

#### **Principal activities**

The principal activity of the consolidated entity during the financial period was to undertake research and development of Global, Intelligence, Surveillance & Reconnaissance ('ISR') Data as a Service ('DaaS') products that can collect, locate and track any device transmitting radio frequencies, enabling the consolidated entity to provide the ability to globally monitor activity of individuals, vehicles or assets without the reliance on active tracking systems.

#### **Dividends**

There were no dividends paid, recommended or declared during the current or previous financial half-year.

#### **Review of operations**

The loss for the consolidated entity after providing for income tax amounted to €1,220,062 (Company, 30 June 2017: €861).

The consolidated entity's current accounting period is the half-year ended 30 June 2018 and the comparative accounting period of the Company is from 6 June 2017 (date of incorporation) to 30 June 2017. The Company did not trade in the comparative period. Therefore, the results are not directly comparable.

The principal source of income for the consolidated entity during the period continued to be the government grant provided by the European Space Agency on behalf of the Government of Luxembourg. The key categories of expenditure in the consolidated entity for the period were remuneration expenses, research and development costs, and general administrative expenses.

#### **Significant changes in the state of affairs**

On 22 January 2018, the Company issued 4,700 convertible notes at A\$500 each issued under a pre-IPO capital raising to institutional and sophisticated investors raising A\$2,350,000. The convertible notes were non-interest bearing and maturity date is 22 January 2019.

On 19 March 2018, the Company incorporated a wholly owned subsidiary, Kleos Space (Asia Pacific) Pty Ltd. Since the subsidiary was dormant throughout the period from incorporation to 30 June 2018, the consolidated accounts and the Company accounts are the same.

On 28 May 2018, Kleos Space S.à.r.l. (Société à Responsabilité Limitée - private limited liability company) changed its legal form to Kleos Space S.A. (Société Anonyme - public limited liability company).

On 28 May 2018, the Company split the existing 500 ordinary shares into 23,460,000 CHESS Depository Interests ('CDI') and converted the parent entity loans of €188,000 into 1,540,000 CDIs.

On 29 May 2018, the Company raised an additional €3,470 by issuing 3,470,000 CDIs.

On 29 May 2018, the Company issued 4,470,000 CDIs to the directors.

On 29 May 2018, the Company issued 33,500,000 performance rights to the directors.

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

**Matters subsequent to the end of the financial half-year**

On 24 August 2018 the Company completed the process of an Initial Public Offering ('IPO') of its securities by listing on the Australian Securities Exchange ('ASX'). The Company raised A\$11,000,000 (€7.1 million) and issued 55,000,000 CDIs at an issue price of A\$0.20 each.

On 24 August 2018 the convertible notes were converted into 14,687,500 CDIs. The convertible notes were converted at a 20% discount on conversion to the A\$0.20 issue price of CDIs.

On 24 August 2018 the Company granted the lead manager Hunter Capital Advisors Pty Ltd 4,000,000 options and 4,000,000 CDIs.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

On behalf of the directors

Signed



Andy Bowyer  
Director

31 August 2018  
Luxembourg

**Kleos Space S. A.**  
**(Formerly known as Kleos Space S. à r. l)**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the half-year ended 30 June 2018**



	Note	Consolidated 1 January 2018 to 30 June 2018 €	6 June 2017 to 30 June 2017 €
<b>Income - Government grants</b>	4	436,109	-
Net gain on derivative financial instruments	9	142,121	-
<b>Expenses</b>			
Operating expenses	5	(800,697)	(860)
Employee benefit expenses	6	(821,048)	-
Research and development expenses		(173,801)	-
Depreciation expense		(370)	-
Other expenses		(2,154)	(1)
Finance costs		(222)	-
Total expenses		<u>(1,798,292)</u>	<u>(861)</u>
<b>Loss before income tax expense</b>		(1,220,062)	(861)
Income tax expense		<u>-</u>	<u>-</u>
<b>Loss after income tax expense for the half-year attributable to the owners of Kleos Space S. A.</b>		(1,220,062)	(861)
Other comprehensive income for the half-year, net of tax		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the half-year attributable to the owners of Kleos Space S. A.</b>		<u><u>(1,220,062)</u></u>	<u><u>(861)</u></u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per CDI	7	(3.20)	-
Diluted earnings per CDI	7	(3.20)	-

*The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*



**Kleos Space S. A.**  
**(Formerly known as Kleos Space S. à r. l)**  
**Consolidated statement of financial position**  
**As at 30 June 2018**



		<b>Consolidated</b>	
	<b>Note</b>	<b>30 June</b>	<b>31 December</b>
		<b>2018</b>	<b>2017</b>
		<b>€</b>	<b>€</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		482,043	456,590
Other current assets	8	123,312	24,672
Derivative financial instruments	9	142,121	-
<b>Total current assets</b>		<u>747,476</u>	<u>481,262</u>
<b>Non-current assets</b>			
Property, plant and equipment	10	437,763	-
<b>Total non-current assets</b>		<u>437,763</u>	<u>-</u>
<b>Total assets</b>		<u>1,185,239</u>	<u>481,262</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		557,889	20,590
Borrowings	11	1,492,253	-
Other current liabilities	13	14,840	188,691
Accrued expenses		69,225	6,866
Deferred income	12	-	436,109
<b>Total current liabilities</b>		<u>2,134,207</u>	<u>652,256</u>
<b>Total liabilities</b>		<u>2,134,207</u>	<u>652,256</u>
<b>Net liabilities</b>		<u>(948,968)</u>	<u>(170,994)</u>
<b>Equity</b>			
Contributed equity	14	203,970	12,500
Reserve	15	250,618	-
Accumulated losses		<u>(1,403,556)</u>	<u>(183,494)</u>
<b>Total deficiency in equity</b>		<u>(948,968)</u>	<u>(170,994)</u>

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes*

**Kleos Space S. A.**  
(Formerly known as Kleos Space S. à r. l)  
**Consolidated statement of changes in equity**  
**For the half-year ended 30 June 2018**



	Contributed equity €	Reserve €	Accumulated losses €	Total equity €
Balance at 6 June 2017	-	-	-	-
Loss after income tax expense for the half-year	-	-	(861)	(861)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(861)	(861)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of shares	12,500	-	-	12,500
Balance at 30 June 2017	<u>12,500</u>	<u>-</u>	<u>(861)</u>	<u>11,639</u>

**Consolidated**

	Contributed equity €	Reserve €	Accumulated losses €	Total deficiency in equity €
Balance at 1 January 2018	12,500	-	(183,494)	(170,994)
Loss after income tax expense for the half-year	-	-	(1,220,062)	(1,220,062)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(1,220,062)	(1,220,062)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 14)	191,470	-	-	191,470
Share-based payments	-	250,618	-	250,618
Balance at 30 June 2018	<u>203,970</u>	<u>250,618</u>	<u>(1,403,556)</u>	<u>(948,968)</u>

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes*

**Kleos Space S. A.**  
**(Formerly known as Kleos Space S. à r. l)**  
**Consolidated statement of cash flows**  
**For the half-year ended 30 June 2018**



		<b>Consolidated</b>	
	<b>Note</b>	<b>1 January 2018 to 30 June 2018 €</b>	<b>6 June 2017 to 30 June 2017 €</b>
<b>Cash flows from operating activities</b>			
Payments to suppliers		(1,031,915)	-
Interest paid		(222)	-
<b>Net cash used in operating activities</b>		<b>(1,032,137)</b>	<b>-</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	10	(438,133)	-
<b>Net cash used in investing activities</b>		<b>(438,133)</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of CDIs/shares	14	3,470	12,500
Proceeds from issue of convertible notes		1,492,253	-
<b>Net cash from financing activities</b>		<b>1,495,723</b>	<b>12,500</b>
<b>Net increase in cash and cash equivalents</b>		<b>25,453</b>	<b>12,500</b>
<b>Cash and cash equivalents at the beginning of the financial half-year</b>		<b>456,590</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the financial half-year</b>		<b>482,043</b>	<b>12,500</b>

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes*

## Note 1. General information

The consolidated financial statements cover Kleos Space S. A. ('Company' or 'parent entity') as a consolidated entity consisting of Kleos Space S. A. and the entity it controlled at the end of, or during, the half-year, together are referred to in these financial statements as the 'consolidated entity'.

On 6 June 2017, the Company was registered in Luxembourg as an S. à r. l (Société à Responsabilité Limitée - private limited liability company). On 8 May 2018 the Company changed its legal form to Kleos Space S.A. (Société Anonyme - public limited liability company).

The consolidated entity's current accounting period is the half-year ended 30 June 2018 and the comparative accounting period of the Company is from 6 June 2017 (date of incorporation) to 30 June 2017. The Company did not trade in the comparative period. Therefore, the results are not directly comparable. The standard year end of the Company is 31 December.

Its registered office and principal place of business is:

Technoport  
9 Avenue des Hauts-Fourneaux  
L-4362 Esch-sur-Alzette  
Luxembourg

The principal activity of the consolidated entity during the financial period was to undertake research and development of Global, Intelligence, Surveillance & Reconnaissance ('ISR') Data as a Service ('DaaS') products that can collect, locate and track any device transmitting radio frequencies, enabling the consolidated entity to provide the ability to globally monitor activity of individuals, vehicles or assets without the reliance on active tracking systems.

The consolidated financial statements were authorised for issue, in accordance with a resolution of directors, on 31 August 2018.

## Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 30 June 2018 have been prepared in accordance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting' as adopted by European Union.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the Company's Financial Statements for the period ended 31 December 2017.

The principal accounting policies adopted are consistent with those of the previous financial period, in addition to the policies stated below.

### New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity during the financial half-year ended 30 June 2018 and are not expected to have any significant impact for the financial year ending 31 December 2018.

Except for the early adoption of accounting standards IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' since incorporation, any other new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

### Going concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

## Note 2. Significant accounting policies (continued)

During the half-year ended 30 June 2018 the consolidated entity incurred a net loss of €1,220,062 (Company, 30 June 2017: €861). As at 30 June 2018 the consolidated entity has a net current liabilities of €1,386,731 (Company, 31 December 2017: €170,994) and cash and cash equivalents of €482,043 (Company, 31 December 2017: €456,590).

The consolidated entity has prepared an analysis of its cash requirements for the next 12 months which indicates that the consolidated entity only has sufficient cash resources from secured income streams to fund its ongoing operations. The ability of the consolidated entity to continue as a going concern is dependent on funding raised as part of the Initial Public Offering ('IPO') and execute on its growth strategies in line with the Board approved budgets.

In order to raise sufficient additional funding to meet the requirements of the consolidated entity and to manage its future cash outflows, since 30 June 2018 the consolidated entity has undertaken the following initiatives:

- On the 24 August 2018 completed the process of an Initial Public Offering of its securities by listing on the Australian Securities Exchange and raised A\$11,000,000 (€7.1 million) in new capital to fund future growth and working capital requirements;
- Undertaken a programme to continue to monitor the consolidated entity's ongoing working capital requirements in line with Board approved budgets; and
- Continued its focus on maintaining an appropriate level of corporate overheads in line with the consolidated entity's available cash resources and Board approved budgets.

Having considered the above factors, the directors are confident the consolidated entity will be able to continue as a going concern and pay its debts for at least 12 months from approval of these financial statements.

No adjustments have been made relating to the recoverability of recorded asset values and classification of assets and liabilities that might be necessary should the consolidated entity be unable to continue as a going concern.

### Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of the subsidiary of Kleos Space S. A. as at 30 June 2018 and the results of its subsidiary for the half-year then ended.

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

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

### Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date.

Derivatives are classified as current or non-current depending on the expected period of realisation.

## Note 2. Significant accounting policies (continued)

### Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Amortisation commences when the asset is available for use and is on a straight line basis over the period of their expected benefit.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Computer equipment	5 years
--------------------	---------

Satellite equipment (Work-in-progress) is carried at cost.

### Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

### Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in CDI holders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

### Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

### Employee benefits

#### *Share-based payments*

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of CDIs, or options over CDIs, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the CDI price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the CDI price at grant date and expected price volatility of the underlying CDI, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

## Note 2. Significant accounting policies (continued)

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

## Note 3. Operating segments

### *Identification of reportable operating segments*

The consolidated entity has one reportable segment under IFRS 8, being Research and Development.

The operating segment information is the same information as provided throughout the financial statements and are therefore not duplicated.

## Note 4. Income - Government grants

	Consolidated 1 January 2018 to 30 June 2018 €	6 June 2017 to 30 June 2017 €
Grant income (note 12)	436,109	-

The Company's only income source for the period related to funding received as part of a grant made by the European Space Agency acting on behalf of the Government of Luxembourg. To the extent that all payments are made in advance and constitute a debt of the Company to the Agency until it has been set-off against relevant milestones, the Company has recognised revenue in line with expenditure, and recognised the balance as a liability. Government grant funds were received in November 2017.

**Note 5. Operating expenses**

	Consolidated 1 January 2018 to 30 June 2018 €	6 June 2017 to 30 June 2017 €
Administration expenses	166,765	-
Consulting and professional fees	525,027	860
Occupancy expenses	18,700	-
Travel expenses	83,074	-
Other operating expenses	7,131	-
	<u>800,697</u>	<u>860</u>

**Note 6. Employee benefit expenses**

	Consolidated 1 January 2018 to 30 June 2018 €	6 June 2017 to 30 June 2017 €
Salaries and benefits	570,430	-
Share-based payments	250,618	-
	<u>821,048</u>	<u>-</u>

**Note 7. Earnings per CDI**

	Consolidated 1 January 2018 to 30 June 2018 €	6 June 2017 to 30 June 2017 €
Loss after income tax attributable to the owners of Kleos Space S. A.	<u>(1,220,062)</u>	<u>(861)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary CDIs used in calculating basic earnings per CDI	<u>38,080,385</u>	<u>23,460,000</u>
Weighted average number of ordinary CDIs used in calculating diluted earnings per CDI	<u>38,080,385</u>	<u>23,460,000</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per CDI	(3.20)	-
Diluted earnings per CDI	(3.20)	-

The weighted average number of CDIs has been adjusted for the effect of the share split that occurred on 28 May 2018, in accordance with IAS 33 'Earnings per share'.

At 30 June 2018, 14,687,500 convertible notes (2017: nil) have been included in the calculation of the weighted average number of CDIs used in calculating earnings per CDI due to their mandatorily convertible feature.

At 30 June 2018, 33,500,000 (2017:nil) performance rights over CDIs have been excluded from the calculation of the weighted average number of CDIs used in calculating diluted earnings per CDI as they are anti-dilutive.



**Note 8. Current assets - other current assets**

	Consolidated 30 June 2018 €	31 December 2017 €
Prepayments	53,889	2,287
Net VAT refundable	69,423	22,223
Other current assets	-	162
	<u>123,312</u>	<u>24,672</u>

**Note 9. Current assets - derivative financial instruments**

	Consolidated 30 June 2018 €	31 December 2017 €
Forward foreign currency contracts	<u>142,121</u>	<u>-</u>

The Company's treasury risk management is to hedge foreign exchange risk exposure using forward contracts. Given A\$11,000,000 IPO funding was to be received after 30 June 2018, the Company entered a forward contract to hedge a portion of the foreign exchange exposure. The AUD/EUR exposure was hedged and the contract was subsequently settled on 24 August 2018.

**Note 10. Non-current assets - property, plant and equipment**

	Consolidated 30 June 2018 €	31 December 2017 €
Computer equipment - at cost	5,033	-
Less: Accumulated depreciation	(370)	-
	<u>4,663</u>	<u>-</u>
Satellite equipment (Work-in-progress)	<u>433,100</u>	<u>-</u>
	<u>437,763</u>	<u>-</u>

**Note 11. Current liabilities - borrowings**

	Consolidated 30 June 2018 €	31 December 2017 €
Convertible notes payable	<u>1,492,253</u>	<u>-</u>

On 22 January 2018, the Company issued 4,700 convertible notes at A\$500 each issued under a pre-IPO capital raising to institutional and sophisticated investors raising A\$2,350,000. The convertible notes were non-interest bearing and maturity date is 22 January 2019.

On 24 August 2018 the convertible notes were converted into 14,687,500 CDIs. The convertible notes were converted at a 20% discount on conversion to the A\$0.20 issue price of CDIs.

**Note 12. Current liabilities - deferred income**

	Consolidated 30 June 2018 €	31 December 2017 €
Deferred income	-	436,109

*Reconciliation of deferred income:*

	Consolidated 30 June 2018 €	31 December 2017 €
Balance at the beginning of the period	436,109	-
Income deferred - conditions unsatisfied	-	436,109
Income recognised - conditions satisfied (note 4)	(436,109)	-
Balance at the end of the period	-	436,109

**Note 13. Current liabilities - other current liabilities**

	Consolidated 30 June 2018 €	31 December 2017 €
Loan with immediate parent entity	-	188,000
Other current liabilities	14,840	691
	14,840	188,691

On 28 May 2018, the loan with the immediate parent entity was converted to 1,540,000 CDIs in the Company.

**Note 14. Equity - contributed equity**

	Consolidated 30 June 2018 CDIs	31 December 2017 Shares	Consolidated 30 June 2018 €	31 December 2017 €
CHESS Depository Interests (2017: Ordinary shares) - fully paid	32,940,000	500	203,970	12,500

*Movements in CDI*

Details	Date	CDIs	Issue price	€
Balance	1 January 2018	500		12,500
Cancellation of ordinary shares	28 May 2018	(500)	€0.000	-
Ordinary shares split into CDIs	28 May 2018	23,460,000	€0.000	-
Issue of CDIs - Debt to equity swap	28 May 2018	1,540,000	€0.120	188,000
Issue of CDIs	29 May 2018	3,470,000	€0.001	3,470
Issue of CDIs	29 May 2018	4,470,000	€0.000	-
Balance	30 June 2018	32,940,000		203,970

#### Note 14. Equity - contributed equity (continued)

##### *CDI buy-back*

There is no current on-market CDI buy-back.

#### Note 15. Equity - reserve

	Consolidated 30 June 2018 €	31 December 2017 €
Share-based payments reserve	250,618	-

##### *Share-based payments reserve*

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

#### Note 16. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

#### Note 17. Non-cash investing and financing activities

	Consolidated 1 January 2018 to 30 June 2018 €	6 June 2017 to 30 June 2017 €
CDIs issued on conversion of loan	188,000	-

#### Note 18. Fair value measurement

##### *Fair value hierarchy*

The following tables detail the Company's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated 30 June 2018	Level 1 €	Level 2 €	Level 3 €	Total €
<i>Assets</i>				
Derivative financial instruments	-	142,121	-	142,121
Total assets	-	142,121	-	142,121

There were no transfers between levels during the financial half-year.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

##### *Valuation techniques for fair value measurements categorised within level 2 and level 3*

Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

## Note 19. Contingent liabilities

The consolidated entity had no contingent liabilities as at 30 June 2018 and 31 December 2017.

## Note 20. Commitments

### Capital commitments

Committed at the reporting date but not recognised as liabilities, payable:

	Consolidated 30 June 2018 €	31 December 2017 €
Property, plant and equipment	1,986,900	-

The capital expenditure in relation to property, plant and equipment represents the Company's contract for the Satellite procurement.

## Note 21. Related party transactions

Magna Parva Limited is a company incorporated in the United Kingdom, is the immediate parent entity of the Company.

### Transactions with related parties

There were no transactions with related parties during the current and previous financial reporting period.

### Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated 30 June 2018 €	31 December 2017 €
Current payables:		
Payable to immediate parent entity*	36,960	-

\* Relates to director fees owed to Miles Ashcroft and spare parts ordered on behalf of the Company.

All transactions were made on normal commercial terms and conditions, at market rates and settled in cash.

### Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated 30 June 2018 €	31 December 2017 €
Current payables:		
Loan with immediate parent entity	-	188,000

The loan with immediate parent entity was non-interest bearing, repayable on demand and unsecured. On 28 May 2018, the loan with immediate parent entity was converted to 1,540,000 CDIs in the Company.

## Note 22. Interests in subsidiary

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		Consolidated 30 June 2018 %	31 December 2017 %
Kleos Space (Asia Pacific) Pty Ltd	Australia	100%	-

- Incorporated on 19 March 2018
- Dormant company

## Note 23. Events after the reporting period

On 24 August 2018 the Company completed the process of an Initial Public Offering ('IPO') of its securities by listing on the Australian Securities Exchange ('ASX'). The Company raised A\$11,000,000 (€7.1 million) and issued 55,000,000 CDIs at an issue price of A\$0.20 each.

On 24 August 2018 the convertible notes were converted into 14,687,500 CDIs. The convertible notes were converted at a 20% discount on conversion to the A\$0.20 issue price of CDIs.

On 24 August 2018 the Company granted the lead manager Hunter Capital Advisors Pty Ltd 4,000,000 options and 4,000,000 CDIs.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

To the Shareholders of  
Kleos Space S.A.  
Technoport, 9 Avenue des Hauts-Fourneaux,  
L-4362 Esch-sur-Alzette, Luxembourg

Tel: +352 451 451  
www.deloitte.lu

## REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

### Report on Review of Interim Financial Information

#### *Introduction*

We have reviewed the accompanying interim statement of financial position of Kleos Space S.A. at 30 June 2018, and the related statements of income, changes in equity and cash flows for the period from 1 January 2018 to 30 June 2018. The Board of Managers is responsible for the preparation and fair presentation of this interim financial information in accordance with standard IAS 34 "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

#### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with standard IAS 34 "Interim Financial Reporting" as adopted by the European Union.

For Deloitte Audit, *Cabinet de Révision Agréé*

  
David Osville, *Réviser d'Entreprises Agréé*  
Partner

30 August 2018