KLEOS

Annual Report

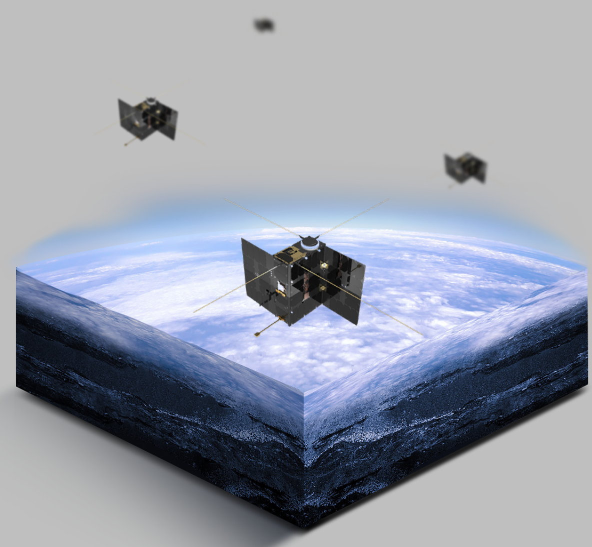
2021

REPORTING PERIOD:
For the year ended 31 December 2021

KLEOS

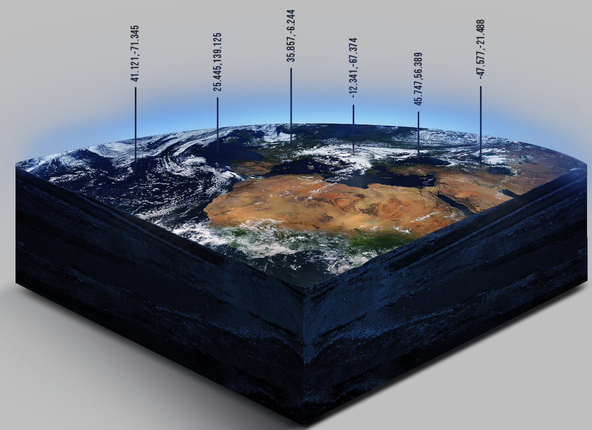
Annual Report

2021



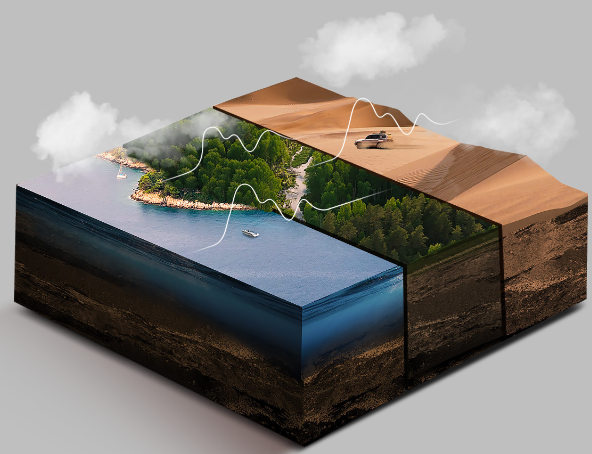
COLLECT

Constellation of satellites collecting RF signals over critical areas of interest.



LOCATE

Signals are processed, precisely geolocating RF transmitters.



INFORM

Delivering actionable, analytic-ready data to detect hidden human activity.

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CORPORATE DIRECTORY

DIRECTORS
Peter Round (Chairman and Executive Chairman)
Andrew Bowyer (Chief Executive and Managing Director)
David Christie (Non-Executive Director)
Padraig McCarthy (Non-Executive Director)

COMPANY SECRETARY
Vanessa Chidrawi

AUSTRALIAN POSTAL ADDRESS
Boardroom Pty Ltd
Level 12, 225 George Street
Sydney
NSW 2000
Australia

AUSTRALIAN REGISTERED OFFICE
Boardroom Pty Ltd
Level 12, 225 George Street
Sydney
NSW 2000
Australia

PRINCIPLE PLACE OF BUSINESS
Luxite Two
7, Rue de l'Innovation
L-1896 Kockelscheuer
Luxembourg

SHARE REGISTER
Link Market Services Limited
Level 12, 680 George Street
Sydney, NSW 2000
Australia

AUDITOR
Ernst & Young S.A.
35E avenue John F. Kennedy
L-1855 Luxembourg
Luxembourg

STOCK EXCHANGE LISTING
Kleos Space S.A. CDIs are listed on the Australian Securities Exchange (ASX code: KSS) and on the Frankfurt Stock Exchange (FRA code: KS1)

WEBSITE
www.kleos.space

BUSINESS OBJECTIVES
The company has used cash and cash equivalents held at the time of listing ini a way that is consistent with its stated business objectives.

CORPORATE GOVERNANCE STATEMENT
The directors and management are committed to conducting the business of Kleos Space S.A. in an ethical manner and in accordance with the highest standards of corporate governance. Kleos Space S.A. has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of the Group's operations.

The Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains recommendations that have not been followed, was approved at the same time as this report and can be found at: https://kleos.space/investors/.

Chair's Statement

AIR COMMODORE PETER ROUND

CHAIR'S STATEMENT

Kleos Space has achieved significant progress in 2021 - with commercial adoption, the successful launch of our second satellite cluster in June, raising capital, building new satellites, and planning the launch of our 3rd cluster in April 2022.

The eight satellites in low earth orbit (LEO) at the time of writing provide us with global coverage over key areas of interest, detecting radio frequency transmissions over the planet's surface. The data collected is then sold as-a-service via subscription licences to government intelligence agencies, defence and national security entities and commercial enterprises. This collection capability will increase with eight more satellites being launched. The outcome is higher value datasets and additional revenue opportunities.

The increasing demand for cost-effective intelligence, surveillance and reconnaissance (ISR) capabilities, particularly the collection and analysis of radio frequency data, continues to grow with many governments and commercial entities regularly issuing Requests For Information (RFI) and Requests For Proposal (RFP) that include requirements for Kleos style RF data. Our global salesforce team has been working diligently throughout the year, which has resulted in an increased pipeline.

The need for our type of global ISR data has never been greater. The existing and emerging geopolitical conflicts have highlighted the critical role real-time commercial ISR datasets now play in modern warfare. They provide decision makers with greater situational awareness and actionable intelligence. Our geolocation data is also suitable for improving detection of other real-world challenges currently being faced by governments such as drug and people smuggling, piracy, illegal fishing and border security issues.

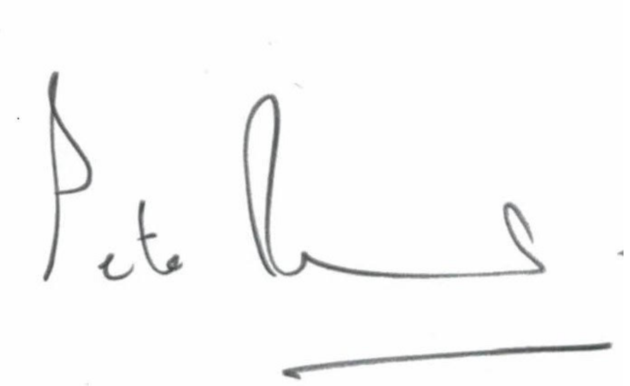
A key strength of our satellites is the fact they are the first in the world to be flown in formation of four, targeting precision geolocation intelligence. Our ability to geolocate radio transmissions provides a valuable ISR capability and enhances detection of illegal activity. Our RF geolocation data can be used to establish a baseline pattern of behaviour or validate existing ISR datasets, such as SAR and high-resolution imagery. Our data also complements existing GEOINT datasets and can be used to tip and cue other systems, or to validate other intelligence data. An integrated capability such as ours means that in the short-term, we can focus on large government end-users as well as data aggregators and resellers in order to capitalise on immediate revenue opportunities. In the longer term, as we build our constellation of up to 20 satellite clusters, our geolocation intelligence data will increasingly act as a comprehensive standalone dataset with near real-time intelligence and tiered subscription licences.

To keep on growing our satellite constellation and scale our data-as-a-service offering, we have success-fully raised A$12.6 million from new and existing institutional and sophisticated shareholders, including Perennial Value Management and Thorney Investment Group. This shows the high confidence of our shareholders, which is both encouraging and enables us to grow our business.

To prepare our business for commercialisation and scale, we have commenced the transition to a majority independent Board, welcoming highly qualified and respected international space finance executive Padraig McCarthy as a Non-Executive Director and Chair of the Audit and Risk Management Committee. Additionally, Kleos' Co-founder Miles Ashcroft, who has been appointed Chief Innovation Officer, has stepped down from the Board as an Executive Director. I have also advised the Board that, in due course, I intend to step down from my role after overseeing the transition to an Independent Chair. I will then remain with Kleos in an operational capacity, as Director of Military and Government Affairs.

On behalf of the Board, I would like to thank Kleos' global team for their hard work, commitment, and willingness over the past few years to quickly adapt to very challenging operating conditions. Our executive team is truly world-class, providing the Board with confidence that the Company will capitalise on the huge growth opportunities in front of us.

Thank you also to our loyal shareholders for your support over the past year. We are well-positioned for significant growth in 2022. Our low operational cost base is unique and makes the business highly scalable, and we look forward to delivering value for shareholders and our customers over the coming years.



AIR COMMODORE PETER ROUND
Kleos Space S.A. Chairman

Additional ASX Information

13 APRIL 2022

ADDITIONAL ASX INFORMATION

The shareholder information set out below was current as at 13 April 2022.

The Company has securities listed for quotation in the form of CHESS Depositary Interests over shares in the Company (CDIs), which trade under the code "KSS" on ASX. Each CDI is equivalent to one ordinary share. There are 178,525,876 CDIs on issue.

The Company is incorporated in Luxembourg and listed on ASX and on the Frankfurt Stock Exchange (code KSF1). As a Luxembourg company, it is not subject to chapters 6, 6A, 6B and 6C of the Corporations Act 2001 (Cth.) dealing with the acquisition of its shares (including substantial holdings and takeovers).

SUBSTANTIAL HOLDERS (Listing Rule 4.10.4)

The securities held by substantial security holders, as disclosed to the Company, are as follows:

Name	No. of equity securities	% of voting power
Associates of Stephen Silver:		
LTL Capital PLY LTD	29,840,938 CDIs	16.71%
Sterling Venture Holdings PTY LTD	580,000 CDIs	0.32%
Miles Ashcroft*	29,375,000 CDIs	16.45%
Andrew Bowyer*	29,375,000 CDIs	16.45%
Associates of Janet Cameron:		
Elsie Cameron Foundation PTY LTD ATF Elsie Cameron Foundation	14,413,670 CDIs	8.07%
Bicheno Investments PTY LTD ATF Janet Cameron Trust	6,592,169 CDIs	3.69%

* *Including 25,000,000 CDIs held by Magna Parva Limited, of which Messrs Ashcroft and Bowyer are shareholders.*

VOTING RIGHTS (Listing Rule 4.10.6)

Holders of CDIs are able to attend the Company's general meetings, should they wish. Under the ASX Listing Rules and the ASX Settlement Operating Rules, the Company as an issuer of CDIs must allow CDI holders to attend any meeting of the holders of Shares unless relevant Luxembourg law at the time of the meeting prevents CDI holders from attending those meetings.

In order to vote at such meetings, CDI holders have the following options:

a.) instructing CDN, as the legal owner, to vote the Shares underlying their CDIs in a particular manner. A voting instruction form will be sent to CDI holders with the notice of meeting or proxy statement for the meeting and this must be completed and returned to the Company's Share Registry prior to the meeting; or

b.) informing the Company that they wish to nominate themselves or another person to be appointed as CDN's proxy with respect to the Shares underlying their CDIs for the purposes of attending and voting at the general meeting; or

c.) converting their CDIs into a holding of Shares and voting these at the meeting (however, if thereafter the former CDI holder wishes to sell their investment on ASX it would be necessary to convert the Shares back to CDIs). In order to vote in person, the CDI holder must complete the conversion prior to the record date for the meeting.

As holders of CDIs will not appear on the Company's share register as the legal holders of Shares, they will not be entitled to vote at Shareholder meetings unless one of the above steps is undertaken.

As each CDI represents one Share, a CDI holder will be entitled to one vote for every one CDI they hold. Proxy forms, CDI voting instruction forms and details of these alternatives will be included in each notice of meeting sent to CDI holders by the Company.

These voting rights exist only under the ASX Settlement Operating Rules, rather than the Luxembourg law of 10 August 1915 on commercial companies, as amended. Since CHESS Depositary Nominees is the legal holder of the Shares, the holders of CDIs do not have any directly enforceable rights under the Company's Articles of Association.

There are no voting rights attached to any of the options that the Company currently has on issue. Upon exercise of these options, the CDIs issued will have the same voting rights as existing CDIs.

DISTRIBUTION OF EQUITY SECURITIES (Listing Rules 4.10.5, 4.10.7 and 4.10.8)

CDIs

Range	No. of Securities	% Securities	No. of Holders	% Holders
100,001 and Over	162,549,638	91.05	93	4.63
10,001 to 100,000	11,290,850	6.32	359	17.88
5,001 to 10,000	2,349,221	1.32	299	14.89
1,001 to 5,000	2,033,932	1.14	818	40.74
1 to 1,000	302,235	0.17	439	21.86
Total	**178,525,876**	**100.00**	**2,008**	**100.00**
Unmarketable Parcels	115,963	0.06	231	11.50

ADDITIONAL
ASX INFORMATION

TWENTY LARGEST SHAREHOLDERS (Listing Rule 4.10.9)

The names of the twenty largest holders of each class of quoted securities are listed below:

Rank	Name	Holding	% IC
1	Citicorp Nominees PTY Limited	28,839,345	16.15
2	LTL Capital PTY Ltd	25,783,980	14.44
3	Magna Parva Limited	25,000,000	14.00
4	BNP Paribas Nominees PTY LTD ACF Clearstream	6,354,232	3.56
5	National Nominees Limited	5,875,120	3.29
6	Mr Ricky Steven Neumann	5,565,750	3.12
7	CS Third Nominees PTY Limited	4,975,042	2.79
7	Brispot Nominees PTY LTD	4,502,446	2.52
8	Miles Ashcroft	4,250,000	2.38
9	Andrew Bowyer	4,250,000	2.38
10	UBS Nominees PTY LTD	3,859,805	2.16
11	Mr Bradley Anthony Saxby	3,750,000	2.10
12	Merrill Lynch (Australia) Nominees PTY Limited	3,477,031	1.95
13	Tyler Corporation PTY Limited	3,017,847	1.69
14	Hunter Captial Advisors P/L	2,902,313	1.63
15	BNP Paribas Nominees PTY LTD	2,114,593	1.18
16	Miss Bianca Silver	2,000,000	1.12
17	LTL Capital PTY LTD	1,763,602	0.99
18	Innovative Solutions in Space B.V.	1,276,711	0.72
19	Mr Gordon Mark Crane & Mrs Elizabeth Marie Crane	1,100,000	0.62
20	Peter Round	1,000,000	0.56
	Total	**141,657,817**	**79.35**
	Balance of register	**36,868,059**	**20.65**
	Grand total	**178,525,876**	**100.00**

RESTRICTED SECURITIES (Listing Rule 4.10.14)

As at 13 April 2021, there were no restricted securities or securities subject to escrow on issue.

UNQUOTED SECURITIES (Listing Rules 4.10.5 and 4.10.14)

As at 13 April 2021, the following unquoted securities are on issue:

850,000 Options expiring 11 September 2022 @ $0.40 – 2 Holders
Holders with more than 20%

Holder Name	Holding	% IC
Rimoyne Pty Ltd	100,000	11.76%
Evolution Capital Advisors Pty Ltd	750,000	88.24%

475,000 Options expiring 19 December 2022 @ $0.40 – 1 Holder
Holders with more than 20%

Holder Name	Holding	% IC
Evolution Capital Advisors Pty Ltd	475,000	100.00%

3,319,125 Warrants expiring 18 February 2023 @ $0.38 – 1 Holder
Holders with more than 20%

Holder Name	Holding	% IC
Winance	3,319,125	100.00%

2,285,381 Warrants expiring 6 July 2023 @ $0.38 – 1 Holder
Holders with more than 20%

Holder Name	Holding	% IC
Winance	2,285,381	100.00%

*72,941 Unlisted Warrants expiring 30 June 2031 @ $0.**85** – 1 Holder*
Holders with more than 20%

Holder Name	Holding	% IC
GH Partners LLC	72,941	100.00%

ADDITIONAL
ASX INFORMATION

5,000,000 Options expiring 17 July 2023 @ $0.50 – 3 Holders
Holders with more than 20%

Holder Name	Holding	% IC
Evolution Capital Advisors Pty Ltd	2,600,000	52.00%
Elsie Cameron Foundation	2,000,000	40.00%

8,901,175 Options expiring 19 September 2024 @ $1.20 – 10 Holders
Holders with more than 20%

Holder Name	Holding	% IC
National Nominees Ltd	3,529,411	39.65%
CS Third Nominees Pty Limited	2,117,646	23.79%

ON-MARKET BUY BACK (4.10.18)

There is currently no on-market buyback program.

ASX LISTING RULE (4.10.19)

The Company has used cash and cash equivalents held at the time of listing, in a way consistent with its business objectives.

CORPORATE
GOVERNANCE
STATEMENT

The Board of Directors of Kleos Space S.A. (KSS or the Company) is responsible for the corporate governance of the Company and its subsidiaries. The Board guides and monitors the business and affairs of KSS on behalf of the Shareholders by whom they are elected and to whom they are accountable.

The Corporate Governance Statement can be found here on the Investor page of the Company website: https://kleos.space/investors/#documents

Significant Activities

SIGNIFICANT ACTIVITIES

Kleos' low earth orbit satellites detect and geolocate radio frequency transmissions to improve the Intelligence, Surveillance, and Reconnaissance (ISR) capabilities of governments and commercial entities. Sold as-a-service to qualified subscribers, Kleos' precision geolocation data enhances the detection of illegal activity, including piracy, drug and people smuggling, border security challenges and illegal fishing. Kleos' data can be used to establish a baseline pattern of behaviour, send alerts, or tip and cue other commercial data sets to improve situational awareness. In 2021, Kleos commenced converting its geographically diverse pipeline of government defence departments, national security entities, coast guards, and commercial entities to evaluation contracts and subscriber backlog.

COMMERCIAL

Kleos' business model has a low operational cost base and is highly scalable. Subscribers pay license fees to access the data, generating recurring revenues.

SIGNIFICANT ACTIVITIES

Kleos is targeting a total constellation of up to 20 clusters of four satellites for optimal global coverage and near-real-time revisit rates over key areas of interest. Each new cluster significantly increases Kleos' data collection capability and improves revisit rates over key areas of interest, providing subscribers with more accurate, and timely, intelligence. As subscribers pay on a volume basis, greater data collection capabilities increase revenue opportunities.

TECHNICAL DEVELOPMENT

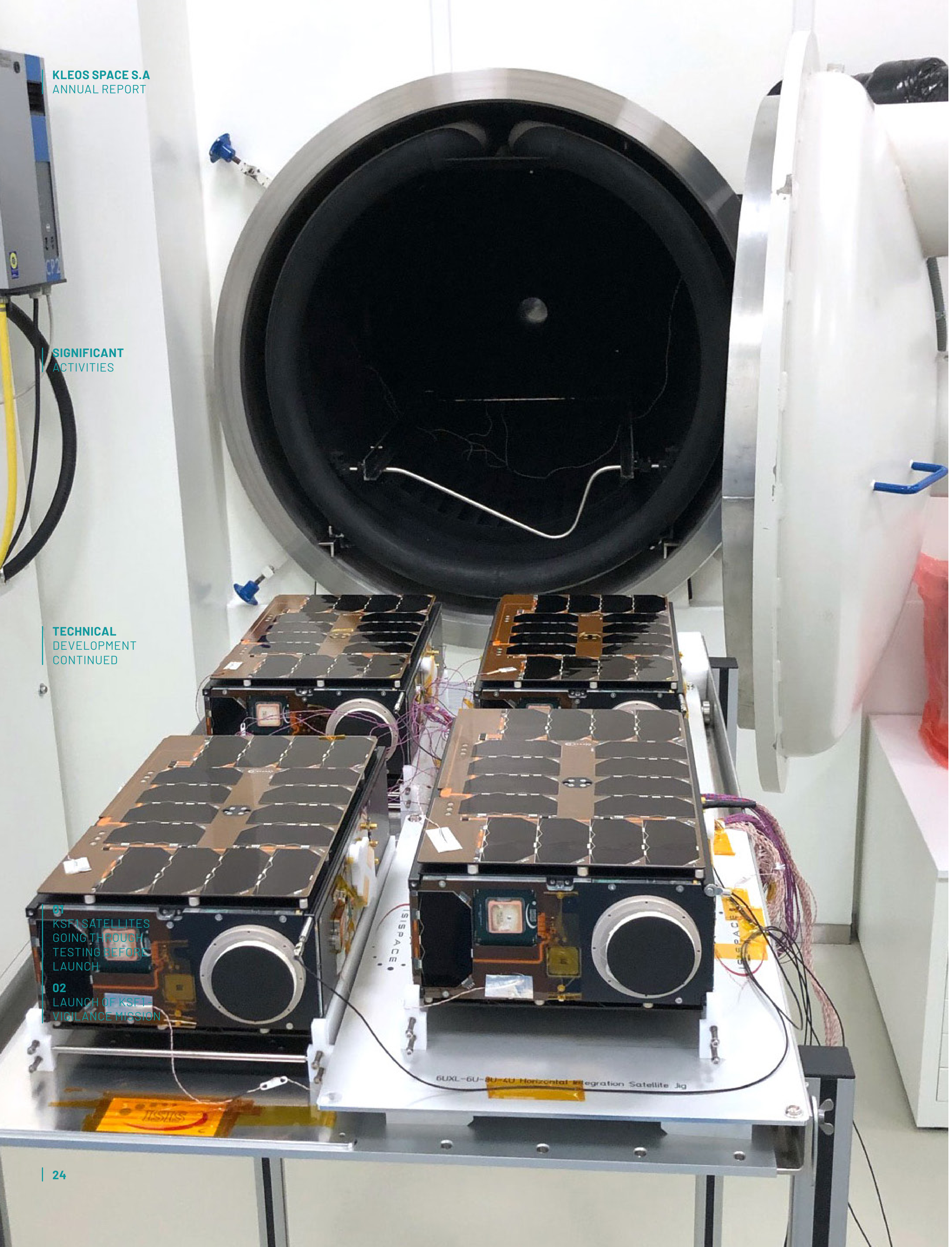
The Scouting Mission (KSM1)
Launched into a 37-degree orbit in November 2020, Kleos' Scouting Mission satellites are the world's first four satellite cluster flown in a formation for precision geolocation capability. Data from these satellites is being used for Kleos' first data product, Guardian LOCATE, providing exceptionally accurate geolocation capability to within 300 metres. Guardian LOCATE is processed using Kleos' proprietary multilateration algorithms to deliver frequency, time, latitude, longitude and Earth-Centered Earth Fixed (ECEF) co-ordinates of radio frequency transmissions.

The Vigilance Mission (KSF1)
In June 2021, Kleos successfully launched its four Vigilance Mission (KSF1) satellites aboard the Spaceflight SXRS-5/SpaceX Transporter-2 Mission. Deployed into a 525km Sun Synchronous orbit from Cape Canaveral in Florida, Kleos' second satellite cluster broadens its global coverage range and data collection capability. These satellites have completed in-orbit commissioning and are now operational.

The Patrol Mission (KSF2)
During the year, Kleos completed the development of its four Patrol Mission (KSF2) satellites with Netherlands-based builder Innovative Solutions in Space B.V. (ISISPACE). Originally scheduled for the SpaceX Transporter-3 Mission in January, the Patrol Mission launch was postponed after launch services provider Spaceflight Inc discovered a leak from the propulsion system of its Sherpa launch vehicle while integrating Kleos' satellites. Due to the seriousness of the leak, Spaceflight Inc was unable to launch any of the satellites manifested on the Sherpa for the SpaceX Transporter-3 Mission. Kleos' Patrol Mission satellites were undamaged and launched in April 2022 onboard the SpaceX Transporter-4 Mission.

The Observer Mission (KSF3)
During the year, Kleos signed new contracts with satellite builder ISISPACE and global launch services provider Spaceflight Inc to build and manage the launch its fourth satellite cluster of four satellites, the Observer Mission (KSF3), in mid-2022. ISISPACE will provide Kleos with a turn-key solution for its four Observer Mission satellites, including design, development, production, testing, launch integration services, and support for checkout and commissioning. Spaceflight will provide integration with the launch vehicle, mission management, and launch services.

Kleos' fourth satellite cluster complements the 37-degree orbit of the Scouting Mission and Sun Synchronous orbits of the Vigilance and Patrol Mission satellites with up to a further 119 million km2 data collection capacity per day.



01

02

01
KSF1 SATELLITES GOING THROUGH TESTING BEFORE LAUNCH

02
LAUNCH OF KSF1 VIGILANCE MISSION

Data processing & delivery systems
In 2021, Kleos built and implemented data processing and delivery infrastructure to enable scalable subscriber data access and fulfilment. Its subscriber-facing Application Programming Interface (API) enables customers to digitally access data based on their authorisation and subscription. Data products are accessed through a Representational State Transfer (REST) API for client-driven requests and through a WebSocket API for event-drive notifications.

Back-end systems include retrieval of raw data from the satellites (Mission Data System), data processing (Signal Processing System), storage of both raw and processed data (Data Storage System), and authorisation of subscriber requests (User Management System).

Technical whitepaper
At the GEOINT 2021 Symposium in St Louis MO, Kleos released a technical paper describing its geolocation capabilities. The ‘Geolocation System Whitepaper’ included descriptions of the algorithms Kleos uses to geolocate transmitters, information about the cluster formation, and measurement methodology. It also includes a recent case study of geolocation data captured over the Republic of Cabo Verde during the commissioning of the KSM1 payloads, which confirmed high levels of geolocation accuracy. The GEOINT Symposium is the world’s largest annual conference for geospatial intelligence.

SIGNIFICANT
ACTIVITIES

PARTNERSHIPS

DISTRIBUTION AGREEMENT WITH CARAHSOFT

In April 2021, Kleos' US subsidiary signed a multi-year distribution agreement with leading US Government IT solutions provider Carahsoft Technology Corporation. The agreement enables Kleos' radio frequency geolocation data to be incorporated into solutions for multiple US government sectors. It also provides Kleos with direct access to Carahsoft's US federal, state and local government contracts, including the General Services Administration schedule, NASA's Solution for Enterprise-Wide Procurement (SEWP), Federal Information Technology Acquisition (FITARA), and ITES-SW2 - which supplies enterprise IT infrastructure for the US Army and Department of Defense. Kleos is working with Carahsoft to promote the agreement through a dedicated microsite, customer webinar and marketing materials are in progress.

PARTNERSHIP WITH JAPAN SPACE IMAGING CORPORATION

In July 2021, Kleos established a partnership with Japan Space Imaging Corporation (JSI) to support its geolocation data sales in Japan. Acting as Kleos' promotional partner, JSI will provide direct tactical and promotional support in the region. JSI is the leading provider of satellite imagery and geospatial solutions for government and commercial entities in Japan.

FINANCIALS
& CORPORATE

SECURED A$12.6 MILLION TO FURTHER GROW CONSTELLATION

Kleos secured A$12.6 million in September 2021 through a Placement to new and existing institutional and sophisticated shareholders. Led by cornerstone investments from Perennial Value Management and Thorney Investment Group, the Placement ensures Kleos is fully funded through to forecasted EBITDA-positive status in mid-2022. Funds are being used to launch future satellite cluster and scale Kleos' data-as-a-service offering.

In February 2021, Kleos repaid a €3.41 million (approximately A$5.5 million) secured loan in full to Dubai-based family office Winance, in line with an agreement the company entered on 18 February 2020.

SIGNIFICANT
ACTIVITIES

FINANCIALS
& CORPORATE
CONTINUED

01

BUILDING U.S AWARENESS

Kleos continued to build awareness of the company and its differentiated radio frequency data-as-a-service business model in the USA - one of the world's most sophisticated space industries. During the year, Kleos' management team met with US-based institutional investors and influential research analysts, portfolio managers, bankers, industry experts and key journalists, resulting in heightened awareness of Kleos and the space ISR sector among the US investment community.

01
LUXEMBOURG
HEADQUARTERS

INVESTS FOR GROWTH, EXPANDS LUXEMBOURG HEADQUARTERS

In late October, Kleos moved its global headquarters to a new bespoke facility in Luxembourg. Located in the newly built ParcLuxite Business Park in Kockelscheuer, Luxembourg, Kleos' new headquarters are home to the company's engineering and operations facilities, housing environmental test chambers and a dedicated clean room space for the assembly, integration, and test of sensitive space hardware as well as its mission control centre. It enables Kleos to scale its global geolocation data-as-a-service, and further support its additional engineering teams in the UK and the US.

In December 2021, the new headquarters were inaugurated by the Luxembourg Minister for the Economy, Franz Fayot and some key local players.

SIGNIFICANT
ACTIVITIES

In 2021, Kleos commenced the transition to a majority independent Board, further enhancing the company's corporate governance framework and regulatory compliance in Australia and the USA. Chair Air Commodore Peter Round advised he intends to step down from his position after overseeing the transition to an Independent Chair – a process expected to take up to 12 months. Once a successor is appointed, Peter will remain with Kleos in an operational capacity as Senior Government Liaison and Military Advisor, ensuring continuity of his valuable work within the government sector.

In November 2021, international space finance executive Padraig McCarthy joined Kleos' Board as a Non-Executive Director and Chair of the Audit and Risk Management Committee. Padraig has more than 25 years' space industry experience and was previously Chief Financial Officer and Executive Committee member at global satellite leader SES, and is currently an independent Non-Executive Director at listed self-storage company Shurgard. He replaces Kleos' co-founder Miles Ashcroft, who stepped down from the Board.

The company also added to its Advisory Board expertise, appointing US-based veteran business leader James A. Quella. An experienced company Director, James is currently a senior advisor to Blackstone and CC Capital and an Independent Director at Dun & Bradstreet Holdings and CC Neuberger Principal Holdings II. He holds approximately 2.5% of Kleos' total issued capital.

LEADERSHIP
CHANGES

During the year, Kleos strengthened its global leadership team to support its commercialisation efforts. Co-founder Miles Ashcroft was appointed to the newly created role of Chief Innovation Officer (CINO) to lead the company's R&D and innovation roadmap. As CINO, Miles will be responsible for satellite and data product diversity, implementation of new software methods and algorithms, increasing data intelligence provision capability, as well as Kleos' constellation use and satellite cluster integration.

With Miles now CINO, US-based Technical Director Vincent Furia was promoted to Chief Technology Officer. Highly experienced, Vincent was previously Space Operations Director at nanosatellite operator Spire Global, where he was responsible for managing a constellation of more than 100 satellites and 30 ground stations. He brings more than eight years' program and project management experience to Kleos and has 15 years' expertise in software and systems engineering, including 11 years at global aerospace and defence technology innovator Harris Corporation.

Melanie Delannoy joined Kleos as Communications and Marketing Manager, focused on building the company's communication efforts with stakeholders. Melanie has extensive experience across marketing, communications, and PR advisor functions, including in-depth knowledge of the space, ICT, and start-up fields. Melanie also sits on several company Boards in Luxembourg.


01
02


03
04

01
PETER ROUND

02
PADRAIG MCCARTHY

03
MILES ASHCROFT

04
MELANIE DELANNOY

Directors' Report, Responsibility Statement, Financial Statements as at and for the year ended 31 December 2021 and the Report of the Réviseur d'Entreprises Agréé

ARBN 625 668 733 / RCS B215591

PRINCIPLE PLACE OF BUSINESS:

Luxite Two
7, Rue de l'Innovation
L-1896 Kockelscheuer
Luxembourg

REGISTERED OFFICE:

Boardroom Pty Ltd
Level 12, 225 George Street
Sydney
NSW 2000
Australia

CAPITAL:

CHESS Depository Interests - Number of CDIs on issue at reporting date (24 February 2022) 177,603,393.

DIRECTORS' REPORT

The directors present their report, together with the financial statements, on Kleos Space S.A. (referred to as the 'Company' or 'parent entity') as an individual entity and the consolidated entity consisting of Kleos Space S.A. and the entities it controlled (referred to hereafter as the 'Group') at the end of, or during, the year ended 31 December 2021.

DIRECTORS

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

- Peter Round
- Andrew Bowyer
- David Christie
- Padraig McCarthy (Appointed on 3 November 2021)
- Miles Ashcroft (Resigned on 3 November 2021)

PRINCIPLE ACTIVITIES

The principle activity of the Group during the financial year was to undertake the development of Space enabled, activity-based intelligence, data-as-a-service products. The Group aims to guard borders, protect assets and save lives by delivering global activity-based intelligence and geolocation-as-a-service.

The first Kleos Space satellite system, known as Kleos Scouting Mission ('KSM1'), was launched into orbit in November 2020 and began delivering data and performing as a technology demonstration in July 2021. KSM1 is the demonstrator for the constellation, with KSF1 having been launched in June 2021, KSF2 scheduled for an April 2022 launch, and KSF3 expected to be launched mid-2022.

The constellation will deliver targeted daily services with the full constellation delivering near-real-time global observation. Data delivery has been delayed to allow time to upload the latest version of the payload software. Software updates are now complete, and the KSF1 satellites are now being moved into formation and bus and payload commissioning are ongoing.

Kleos is targeting a total constellation of up to 20 clusters of four satellites for optimal global coverage and near-real-time revisit rates over key areas of interest. Kleos currently has eight satellites in low earth orbit (Scouting Mission and Vigilance Mission), one cluster awaiting launch (Patrol Mission) and its fourth in development (Observer Mission).

The Patrol and Observer Missions will each provide an additional 119 million square kilometres of coverage per day, significantly increasing the volume of data available to subscribers while also improving the value of the data. More frequent revisit rates over key areas of interest provide subscribers with more accurate, and timely, intelligence. As subscribers pay on a volume basis, greater data collection capabilities increase revenue opportunities.

The Group's research and development personnel are involved in the development of Radio Frequency ('RF') geolocation techniques, RF signal analysis techniques, data science techniques including machine learning, satellite technologies, and data processing methodologies in order to provide a RF Geolocation Data-as-a-Service series of products to information users in the defence and security Intelligence Surveillance and Reconnaissance market and as well to perform the necessary tests on the equipment for launching their own Low Earth Orbit ('LEO') nano-satellite Earth Observation.

DIVIDENDS

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

REVIEW OF OPERATIONS

The loss for the Group after providing for income tax amounted to €6,367,810 (31 December 2020: €4,868,238).

The loss for the Company after providing for income tax amounted to €6,554,130 (31 December 2020: €5,697,558).

As a result of the loss incurred and the operating cash outflows during the year ended 31 December 2021, there is a material uncertainty on whether the Group can continue as a going concern. The directors consider that the Group will continue as a going concern, as explained in note 2 to the financial statements.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Winance facility was repaid on 18 February 2021.

On 15 September 2021, the Company issued 14,835,292 CDIs at AUD 0.85 each, raising a total of AUD 12.6 million (€7,850,750) of equity.

There were no other significant changes in the state of affairs of the Group during the financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Subsequent to the reporting date the Board approved the issuance of 500,000 CDIs to a supplier as payment for services provided in the reporting period.

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Company has built a world class team to fulfill its business plan, and will continue to expand the team to meet the requirements of the business.

The Company has made significant progress in the development of its satellite constellation, with the following clusters at various stages of development and operations:

i *Scouting Mission (Cluster 1 or KSM1)*

Data delivery from the Scouting Mission was delayed to allow time to upload the latest version of satellite payload software that provides improvements to geolocation processing and accuracy. Software improvements are a continuous programme, with the Q4 update requiring a spacecraft payload FPGA (Field Programmable Gate Array) reprogramming exercise. The size of the upload drove an uncertain timeline for completion and interrupted normal spacecraft operations. The FPGA reprogramming has been tested successfully.

ii *Vigilance Mission (Cluster 2 or KSF1)*

Software updates to the KSF1 satellites are now complete. The satellites are now being moved into their final cluster formation, and bus and payload commissioning is ongoing. Operational control will then be transferred to Missions Operations for end-to-end payload verification testing ahead of KSF1 data being available to customers. In-orbit improvements to KSF1's flight software will be applied to the Patrol and Observer Missions, reducing commissioning times for future launches.

iii *Patrol Mission (Cluster 3 or KSF2)*

Kleos' Patrol Mission satellites are now scheduled to launch in April 2022 onboard the SpaceX Transporter-4 Mission. Originally scheduled for the SpaceX Transporter-3 Mission in January 2022, the Patrol Mission launch was postponed after launch services provider Spaceflight Inc discovered a leak from the propulsion system of its Sherpa launch vehicle while integrating Kleos' satellites. Due to the seriousness of the leak, Spaceflight Inc was unable to launch any of the satellites manifested on the Sherpa for the SpaceX Transporter-3 Mission. Kleos' Patrol Mission satellites are undamaged and remain ready for integration and launch.

iiii *Observer Mission (Cluster 4 or KSF3)*

Netherlands-based satellite builder Innovative Solutions In Space (ISISpace) has commenced development of Kleos' fourth satellite cluster, the Observer Mission. The KSF3 satellites are on track to launch in mid-2022 under a rideshare contract with Spaceflight Inc.

ENVIRONMENTAL REGULATION

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law, Luxembourg law or any law or regulation applicable to the European Union.

The Group has obtained a licence with specific assignments for the use of frequencies or radio channels for both transmission, and reception pursuant to the law of 30 May 2005 on the organisation and management of radio frequency spectrum. The frequency assignments are recorded by the Luxembourg Institute of Regulators, Institut Luxembourgeois de Régulation ('ILR') in a public file called "register of frequencies". The Group has obtained from the ILR a licence for the use of electronic communications networks/services. From an international regulatory perspective, the Group has registered with the International Telecommunication Union ('ITU').

CDIs UNDER OPTION

Unissued CDIs of the Company under option at the date of this report are as follows:

Grant Date	Expiry Date	Exercise Price A$	Number under Option
06/09/2019	06/09/2022	0.4000	950,000
19/12/2019	19/12/2022	0.4000	475,000
17/07/2020	17/07/2023	0.5000	5,000,000
17/07/2020	17/07/2030	0.2000	383,000
15/09/2021	15/09/2024	1.2000	8,901,175
11/10/2021	11/10/2031	0.2000	875,000
			16,584,175

UNISSUED CDIs FOR EQUITY-SETTLED TRANSACTIONS

The Company entered into transactions in 2021 for goods and services with a commitment to settlement by the issuance of CDIs.

Goods and Services	Value of Services €	Exercise Price €	Number of CDIs Committed
Investor relations	108,982	€0.2180	500,000
Satellite equipment	50,050	€0.4675	107,054
Financial advisory	178,568	€0.3959	451,086
			1,058,140

CDIs UNDER PERFORMANCE RIGHTS

There were no unissued ordinary CDIs of Kleos Space S.A. under performance rights outstanding at the date of this report.

CDIs UNDER WARRANTS

Unissued CDIs of the Company under warrants at the date of this report are as follows:

Grant Date	Expiry Date	Exercise Price A$	Number under Option
20/02/2020*	20/02/2023	0.3800	3,319,125
06/07/2020*	06/07/2023	0.3800	2,285,381
			5,604,506

* *Warrants issued to Winance Investment LLC on satisfying the conditions of the loan agreement as announced to ASX on 20 February 2020.*

CDIs ISSUED ON THE EXCERCISE OF OPTIONS

The following ordinary CDIs of Kleos Space S.A. were issued during the year ended 31 December 2021 and up to the date of this report on the exercise of options granted:

Date Options Granted	Exercise Price A$	Exercise Price €	Number of CDIs Issued
24/08/2018	0.3000	0.1908	30,000
24/08/2018	0.3000	0.1917	50,000
24/08/2018	0.3000	0.1928	550,000
24/08/2018	0.3000	0.1900	500,000
24/08/2018	0.3000	0.1904	25,000
24/08/2018	0.3000	0.1880	560,000
24/08/2018	0.3000	0.1868	100,000
24/08/2018	0.3000	0.1874	760,000
24/08/2018	0.3000	0.1856	250,000
			2,825,000

CDIs ISSUED ON THE EXERCISE OF PERFORMANCE RIGHTS

There were no CDIs of the Company issued on the exercise of performance rights during the year ended 31 December 2021 and up to the date of this report.

CDIs ISSUED ON THE EXERCISE OF WARRANTS

There were no CDIs of the Company issued on the exercise of warrants during the year ended 31 December 2021 and up to the date of this report.

ACQUISITION BY THE COMPANY OF ITS OWN STOCK AND CDIs

In the financial year the Company has not acquired any of its own CDIs.

BRANCHES

The Company has no branches at the end of the financial year.

RESEARCH AND DEVELOPMENT ACTIVITIES

The Company made investments in research and development in the financial year of **€238,908** (2020: €496,357) recorded under the heading Research and development expenses in the Statement of profit or loss and other comprehensive income.

The Company has capitalised **€298,831** of development costs.

ALLOCATION OF LOSS FOR THE FINANCIAL YEAR

The Company resolved to carry forward the loss for the year ended 31 December 2021 amounting to **€6,554,130**.

FINANCIAL RISK MANAGEMENT

The Group's activities expose it to certain financial risks i.e., market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program seeks to minimise potential adverse effects in the financial performance of the Group.

Risk management is carried out by the Board of Directors ('the Board'). The Board uses different methods to measure different types of risk to which the Group is exposed. These methods include ageing analysis for credit risk and sensitivity analysis in the case of interest rate risk.

DIRECTORS' REPORT

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2021, the Company made payments to Kleos Space Ltd amounting to **€790,455** (2020: €653,816). An amount of **€119,573** was due to the subsidiary as at 31 December 2021 (2020: €71,839).

During the year ended 31 December 2021, the Company made payments to Kleos Space Inc. amounting to **€1,616,128** (2020: €57,951). An amount of **€1,575** was due from the subsidiary as at 31 December 2021 (2020: €7,567).

During the year ended 31 December 2021, the Company made payments to Kleos Space Asia Pacific Pty Ltd. amounting to **€25,273** (2020: €nil). An amount of **€25,273** was due from the subsidiary as at 31 December 2021 (2020: €nil).

INDEMNITY AND INSURANCE OF OFFICERS

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except in case of gross negligence or wilful misconduct.

INDEMNITY AND INSURANCE OF AUDITOR

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

AUDITOR

Ernst & Young was appointed as auditor during the year and continues in office in accordance with article 18 of the Company's Articles of association, article 443-1 of the law of 10 August 1915 on commercial companies, as amended, and article 69 of the law on the register of commerce and companies and the accounting and annual accounts of undertakings.

This report is made in accordance with a resolution of directors.

On behalf of the directors

ANDY BOWYER
Director

24 February 2022
Luxembourg

RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge that:

1. There are reasonable grounds to believe that Kleos Space S.A. will be able to pay its debts as and when they become due and payable;
2. The consolidated financial statements of Kleos Space S.A. presented in this report and established in conformity with International Financial Reporting Standards as adopted in the European Union give a true and fair view of the consolidated financial position and consolidated results of Kleos Space S.A. and the undertakings included within the consolidation taken as a whole; and
3. *The Directors' report presented in this report includes a fair review of the development and performance of the business and position of Kleos Space S.A. and the undertakings included within the consolidation taken as a whole.*

On behalf of the directors

ANDY BOWYER
Director

24 February 2022
Luxembourg

STATEMENTS
31 DECEMBER 2021

PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

	Note	Consolidated 2021 €	Consolidated 2020 €	Company 2021 €	Company 2020 €
Government grant and other revenue	5	125,528	176,220	110,300	176,220
Change in fair value of derivative financial instruments	22	(721,536)	(540,998)	(721,536)	(540,998)
Expenses					
Operating expenses	6	(1,556,505)	(1,298,694)	(3,634,714)	(2,753,711)
Employee benefit expenses	7	(2,963,908)	(1,286,026)	(1,060,963)	(663,561)
Research and development expenses	17	(238,908)	(496,357)	(238,908)	(496,357)
Depreciation expense	8	(768,867)	(43,214)	(768,867)	(43,214)
Other income (other expenses)		42,624	(118,293)	44,890	(115,061)
Finance costs	8	(284,332)	(1,260,876)	(284,332)	(1,260,876)
Total expenses		(5,769,896)	(4,503,460)	(5,942,894)	(5,332,780)
Loss before income tax expense		(6,365,904)	(4,868,238)	(6,554,130)	(5,697,558)
Income tax expense	10	(1,906)	-	-	-
Loss after income tax expense for the year attributable to the owners of Kleos Space S.A.		(6,367,810)	(4,868,238)	(6,554,130)	(5,697,558)
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation		(6,720)	871	-	-
Other comprehensive income for the year, net of tax		(6,720)	871	-	-
Total comprehensive incoome for the year attributable to the owners of Kleos Space S.A.		(6,374,530)	(4,867,367)	(6,554,130)	(5,697,558)
		Cents	**Cents**	**Cents**	**Cents**
Basic earnings per CDI	11	(3.846)	(4.091)	(3.959)	(4.789)
Diluted earnings per CDI	11	(3.846)	(4.091)	(3.959)	(4.789)

The above statements of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

STATEMENTS
31 DECEMBER 2021

FINANCIAL POSITION

	Note	Consolidated 2021 €	Consolidated 2020 €	Company 2021 €	Company 2020 €
Assets					
Current assets					
Cash and cash equivalents	12	5,785,178	10,787,963	5,648,330	10,778,697
Trade receivables and other current assets	13	1,285,348	648,960	1,257,096	653,763
Total current assets		7,070,526	11,436,923	6,906,426	11,432,460
Non-current assets					
Shares in subsideries	14	-	-	204	204
Property, plant and equipment	15	9,374,281	5,466,987	9,374,281	5,466,987
Right-of-use assets	16	139,471	-	139,471	-
Tangibles	17	298,831	-	298,831	-
Total non-current assets		9,812,583	5,466,987	9,812,787	5,467,191
Total assets		16,883,109	16,903,910	16,718,213	16,899,651
Liabilities					
Current liabilities					
Trade and other payables	18	485,019	423,014	585,624	493,389
Accrued expenses	19	574,048	323,096	567,682	323,182
Borrowings	20	146,457	3,466,100	146,457	3,466,100
Lease liabilities	21	43,139	-	43,139	-
Derivative financial instruments	22	3,314,709	833,973	3,314,709	833,973
Other current liabilities		6,963	524	2,148	524
Total current liabilities		4,570,335	5,046,707	4,659,759	5,117,168
Non-current liabilities					
Lease liabilities	21	109,499	-	109,499	-
Total non-current liabilities		109,499	-	109,499	-
Total liabilities		4,679,834	5,046,707	4,769,258	5,117,168
Net assets		12,203,275	11,857,203	11,948,955	11,782,483
Equity					
Contributed equity	23	28,456,260	21,867,982	28,456,260	21,867,982
Reserves	24	391,006	265,402	397,602	265,278
Accumulated losses		(16,643,991)	(10,276,181)	(16,904,907)	(10,350,777)
Net equity		12,203,275	11,857,203	11,948,955	11,782,483

The above statements of financial position should be read in conjunction with the accompanying notes.

	Contributed equity €	Reserves €	Accumulated losses €	Total equity €
Consolidated				
Balance at 1 January 2020	7,687,964	709,979	(5,407,943)	2,990,030
Loss after income tax expense for the year	-	-	(4,868,238)	(4,868,238)
Other comprehensive income for the year, net of tax	-	871	-	871
Total comprehensive income for the year	-	871	(4,868,238)	(4,867,367)
Transactions with owners in their capacity as owners:				
Issue of CDIs	13,761,347	-	-	13,761,347
Issue of CDIs - conversion of performance rights **(note 23)**	355,181	-	-	355,181
Issue of CDIs - exercise of warrants **(note 23)**	694,527	-	-	694,527
Issue of CDIs - exercise of options **(note 23)**	741,037	-	-	741,037
Deduction from proceeds **(note 23)**	(146,950)	-	-	(146,950)
Transaction costs, net of tax **(note 23)**	(1,225,154)	-	-	(1,225,154)
Share-based payments **(note 24)**	-	265,278	-	265,278
Reversal on exercise of performance rights **(note 24)**	-	(355,181)	-	(355,181)
Reversal on expiry of performance rights **(note 24)**	-	(374,914)	-	(374,914)
Reversal of reserve on extinguishment of convertible notes **(note 24)**	-	19,369	-	19,369
Balance at 31 December 2020	21,867,982	265,402	(10,276,181)	11,857,203
Consolidated				
Balance at 1 January 2021	21,867,982	265,402	(10,276,181)	11,857,203
Loss after income tax expense for the year	-	-	(6,367,810)	(6,367,810)
Other comprehensive income for the year, net of tax	-	(6,720)	-	(6,720)
Total comprehensive income for the year	-	(6,720)	(6,367,810)	(6,374,530)
Transactions with owners in their capacity as owners:				
Issue of CDIs	8,034,500	-	-	8,034,500
Issue of CDIs - exercise of options **(note 23)**	533,915	-	-	533,915
Unissued CDIs for equity-settled transactions **(note 23)**	337,600	-	-	337,600
Deduction from proceeds **(note 23)**	(1,759,200)			(1,759,200)
Transaction costs, net of tax **(note 23)**	(558,537)	-	-	(558,537)
Share-based payments **(note 24)**	-	132,324	-	132,324
Balance at 31 December 2021	28,456,260	391,006	(16,643,991)	12,203,275

The above statements of changes in equity should be read in conjunction with the accompanying notes.

STATEMENTS
31 DECEMBER 2021

CHANGES
IN EQUITY

	Contributed equity €	Reserves €	Accumulated losses €	Total equity €
Company				
Balance at 1 January 2020	7,687,994	710,726	(4,653,219)	3,745,501
Loss after income tax expense for the year	-	-	(5,697,558)	(5,697,558)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(5,697,558)	(5,697,558)
Transactions with owners in their capacity as owners:				
Issue of CDIs	13,761,347	-	-	13,761,347
Issue of CDIs - conversion of performance rights **(note 23)**	355,181	-	-	355,181
Issue of CDIs - exercise of warrants **(note 23)**	694,527	-	-	694,527
Issue of CDIs - exercise of options **(note 23)**	741,037	-	-	741,037
Deduction from proceeds **(note 23)**	(146,950)	-	-	(146,950)
Transaction costs, net of tax **(note 23)**	(1,225,154)	-	-	(1,225,154)
Share-based payments **(note 24)**	-	265,278	-	265,278
Reversal on exercise of performance rights **(note 24)**	-	(355,181)	-	(355,181)
Reversal on expiry of performance rights **(note 24)**	-	(374,914)	-	(374,914)
Reversal of reserve on extinguishment of convertible notes **(note 24)**	-	19,369	-	19,369
Balance at 31 December 2020	21,867,982	265,278	(10,350,777)	11,782,483
Company				
Balance at 1 January 2021	21,867,982	265,278	(10,350,777)	11,782,483
Loss after income tax expense for the year	-	-	(6,554,130)	(6,554,130)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(6,554,130)	(6,554,130)
Transactions with owners in their capacity as owners:				
Issue of CDIs	8,034,500	-	-	8,034,500
Issue of CDIs - exercise of options **(note 23)**	533,915	-	-	533,915
Unissued CDIs for equity-settled transactions **(note 23)**	337,600	-	-	337,600
Deduction from proceeds **(note 23)**	(1,759,200)			(1,759,200)
Transaction costs, net of tax **(note 23)**	(558,537)	-	-	(558,537)
Share-based payments **(note 24)**	-	132,324	-	132,324
Balance at 31 December 2021	28,456,260	397,602	(16,904,907)	11,948,955

The above statements of changes in equity should be read in conjunction with the accompanying notes.

STATEMENTS
31 DECEMBER 2021

CASH
FLOWS

	Note	Consolidated 2021 €	Consolidated 2020 €	Company 2021 €	Company 2020 €
Cash flows from operating activities					
Receipts from government grants		-	490,195	-	490,195
Receipts from resale of launch services		167,900	-	167,900	-
Payments for launch services		(135,920)	-	(135,920)	-
Payments to suppliers		(2,256,658)	(1,869,197)	(1,841,322)	(1,764,205)
Payments to employees		(2,831,584)	(1,616,087)	(928,639)	(993,622)
Receipts from other income		15,228	-	-	-
Interest paid		(102,300)	(514,298)	(102,300)	(514,298)
		(5,143,334)	(3,509,387)	(2,840,281)	(2,781,930)
Income taxes paid		(1,906)	-	-	-
Net cash used in operating activities	32	(5,145,240)	(3,509,387)	(2,840,281)	(2,781,930)
Cash flows from investing activities					
Payments for property, plant and equipment	15	(4,195,756)	(1,157,815)	(4,195,756)	(1,157,815)
Payments for intangibles	17	(298,831)	-	(298,831)	-
Payments to related parties		-	-	(2,431,856)	(711,767)
Net cash used in investing activities		(4,494,587)	(1,157,815)	(6,926,443)	(1,869,582)
Cash flows from financing activities					
Proceeds from issue of CDI's	23,32	8,384,665	14,950,811	8,384,665	14,950,811
CDI's issued - transaction costs	23	(428,665)	(1,004,731)	(428,665)	(1,004,731)
Proceeds from borrowings - Luxembourg Ministry of the Economy	32	-	146,457	-	146,457
Net (payments)/proceeds from borrowings - Winance	32	(3,319,643)	1,105,346	(3,319,643)	1,105,346
Repayment of lease liabilities	32	-	(36,602)	-	(36,602)
Net cash used in financing activities		4,636,357	15,161,281	4,636,357	15,161,281
Net increase/(decrease) in cash and cash equivalents		(5,003,470)	10,494,079	(5,130,367)	10,509,769
Cash and cash equivalents at the beginning of the financial year		10,787,963	292,593	10,778,697	268,928
Effects of exchange rate changes on cash and cash equivalents		685	1,291	-	-
Cash and cash equivalents at the end of the financial year	12	5,785,178	10,787,963	5,648,330	10,778,697

The above statements of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

31 DECEMBER 2021

NOTE 1

GENERAL INFORMATION

The financial statements cover both Kleos Space S.A. (referred to as the 'Company' or 'parent entity') as an individual entity and the consolidated entity consisting of Kleos Space S.A. and the entities it controlled (referred to hereafter as the 'Group') at the end of, or during, the period. The financial statements are presented in Euro, which is Kleos Space S.A.'s functional and presentation currency.

The Company is a Société Anonyme - public limited liability company, incorporated and domiciled in Luxembourg. The Company is dual-listed on the Australian Securities Exchange ('ASX') and Frankfurt Stock Exchange ('FRA').

Its Australian registered office and principal place of business are:

REGISTERED OFFICE:	**PRINCIPLE PLACE OF BUSINESS:**
Boardroom Pty Ltd	Luxite Two
Level 12, 225 George Street	7, Rue de l'Innovation
Sydney, NSW 2000	L-1896 Kockelscheuer
Australia	Luxembourg

The principal activity of the Group during the financial year was to undertake the development of the Space enabled, activity-based intelligence, data-as-a-service products. The Group aims to guard borders, protect assets and save lives by delivering global activity-based intelligence and geolocation-as-a-service. The first Kleos Space satellite system, known as Kleos Scouting Mission ('KSM1'), was launched into orbit in November 2020 and began delivering data and performing as a technology demonstration in July 2021. KSM1 is the demonstrator for the constellation, with KSF1 having been launched in June 2021, KSF2 scheduled for an April 2022 launch, and KSF3 expected to be launched mid-2022. The constellation will deliver targeted daily services with the full constellation delivering near-real-time global observation. Data delivery has been delayed to allow time to upload the latest version of the payload software. Software updates are now complete, and the KSF1 satellites are now being moved into formation and bus and payload commissioning are ongoing.

Kleos is targeting a total constellation of up to 20 clusters of four satellites for optimal global coverage and near-real-time revisit rates over key areas of interest. Kleos currently has eight satellites in low earth orbit (Scouting Mission and Vigilance Mission), one cluster awaiting launch (Patrol Mission) and its fourth in development (Observer Mission). The Patrol and Observer Missions will each provide an additional 119 million square kilometres of coverage per day, significantly increasing the volume of data available to subscribers while also improving the value of the data. More frequent revisit rates over key areas of interest provide subscribers with more accurate, and timely, intelligence. As subscribers pay on a volume basis, greater data collection capabilities increase revenue opportunities.

NOTE 1
CONTINUED

The Group's research and development personnel are involved in the development of Radio Frequency ('RF') geolocation techniques, RF signal analysis techniques, data science techniques including machine learning, satellite technologies, and data processing methodologies in order to provide a RF Geolocation Data-as-a-Service series of products to information users in the defence and security Intelligence Surveillance and Reconnaissance market and as well to perform the necessary tests on the equipment for launching their own Low Earth Orbit ('LEO') nano-satellite Earth Observation.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 24 February 2022. In accordance with Luxembourg law, CDIholders have the power to amend and reissue the financial statements.

NOTE 2

SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

BASIS OF PREPERATION

These general purpose financial statements have been prepared in accordance with International Financial Reporting Standards issued by International Accounting Standards Board ('IASB') and adopted by the European Union ('IFRS'), as at 31 December 2021.

Historical cost convention
The financial statements have been prepared under the historical cost convention except for derivative financial instruments measured at fair value.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires the directors to exercise their judgement in the process of applying the Group's and Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The Group and the Company have applied for the first time all of the new or amended Accounting Standards, Interpretations and amendments issued by the International Accounting Standards Board ('IASB') that are effective for the current reporting period and have been endorsed by the European Union.

NOTE 2
CONTINUED

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate ('IBOR') is replaced with an alternative nearly risk-free interest rate ('RFR'). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the consolidated financial statements of the Group and the Company.

COVID-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16
On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19-related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification

The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group and the Company have not received COVID-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application..

GOING CONCERN

These 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.

During the year ended 31 December 2021, the Group incurred a net loss of **€6,367,810** (2020: net loss of €4,868,238). As at 31 December 2021, the Group had net current assets of **€2,500,191** (2020: net current assets of €6,390,216) and cash and cash equivalents of **€5,785,178** (2020: €10,787,963).

NOTE 2
CONTINUED

During the year ended 31 December 2021, the Company incurred a net loss of **€6,554,130** (2020: net loss of €5,697,558). As at 31 December 2021, the Company had net current assets of **€2,245,667** (2020: net current assets of €6,315,292) and cash and cash equivalents of **€5,648,330** (2020: €10,778,697).

The outbreak of a novel and highly contagious form of coronavirus ('COVID-19'), which the World Health Organization has declared to constitute a pandemic, has resulted in numerous casualties, adversely impacted global businesses and contributed to significant volatility in certain equity and debt markets. More particularly COVID-19 caused significant delays in the launch of the Company's first satellites (KSM1), which are operational since 1 July 2021.

The Company launched Cluster 2 (KSF1) on 30 June 2021 which are not yet operational due to an extended pre-operation commissioning phase. As such the timing and volume of revenues going forward involve known and unknown risks, uncertainties and other factors such as technical and launch delays, satellite health status, general economic conditions, increased costs, the risk and uncertainties associated with space technology, COVID-19 or other pandemic impacts. This situation put constraints on the liquidity of the Group.

As at the date of the approval of these financial statements, the following activities have taken place:

- Cluster 1 was launched in November 2020 and has been operational since 1 July 2021;
- Cluster 2 was launched in June 2021 and is now being moved into formation following the completion of software updates;
- Cluster 3 is scheduled for launch in April 2022; and
- Cluster 4 is under construction and is expected to be launched in mid-2022.

In order to raise sufficient additional funding to meet the cashflow requirements of the Group and to manage its future cash outflows, the Group and the Company have plans to take the following initiatives:

- Continue to monitor the software updates on KSM1 and KSF1. Complete bus and payload commissioning of KSF1 satellites and place into final cluster formation;
- The Company is engaging with its pipeline of potential customers to negotiate and sign contracts in anticipation of the satellites completing commissioning and in-orbit testing; and
- If necessary, the Company will seek to raise additional equity or debt to finance funding requirements.

Having considered all of the above factors, the directors are confident the Group will be able to continue as a going concern for at least 12 months from approval of these financial statements. Despite the good progress made in 2021, until the satellites are fully operational, delivering commercial services having completed commissioning and in-orbit testing, the uncertainty about the ability of the Company to generate revenue from customers indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

NOTE 2
CONTINUED

In addition, in accordance with article 480-2 (formerly article 100) of the Luxembourg Company Law of 10 August 1915 (as subsequently amended) and because accumulated losses exceed half of the share capital as at 31 December 2021, the Board of Directors included in the agenda of the Annual Shareholders Meeting approving the 2021 financial statements the decision upon the continuation of the Company. The Annual Shareholders Meeting of May 27, 2021 already decided upon the continuation of the Company.

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 Group be unable to continue as a going concern.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Kleos Space S.A. as at 31 December 2021 and the results of all subsidiaries for the period then ended.

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

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

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 Group 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 Group 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.

Interests in subsidiaries are accounted for at cost, less any impairment, in the parent entity. Dividends received from subsidiaries are recognised as other income by the parent entity when the right to receive the dividend is established and its receipt may be an indicator of an impairment of the investment.

PRINCIPLES OF CONSOLIDATION

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

NOTE 2
CONTINUED

FOREIGN CURRENCY TRANSLATION

Foreign currency transactions
These financial statements are presented in Euros, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method. Foreign currency transactions are translated into the entity's functional currency, mainly the Euro, using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Foreign operations
The assets and liabilities of foreign operations are translated into Euro using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Euro using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

REVENUE RECOGNITION

The Group recognises revenue as follows:

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

NOTE 2
CONTINUED

GOVERNMENT GRANTS

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants are recognised in profit or loss as revenue on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income from government grants in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

INCOME TAX

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities.

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

An income tax benefit will arise for the financial year where an income tax loss is incurred and, where permitted to do so, is carried-back against a qualifying prior period's tax payable to generate a refundable tax offset.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

NOTE 2
CONTINUED

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Sales tax
Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

CURRENT AND NON-CURRENT CLASSIFICATION

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above.

NOTE 2
CONTINUED

RECEIVABLES

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Receivables are measured at amortised cost using the effective interest rate method, less any allowance for expected credit losses.

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 through the statement of profit or loss at each reporting date.

The fair value of derivative financial instruments, which are contracted in relation to obtaining debt or raising equity, at grant date is accounted for as a cost of obtaining the debt or equity.

The cost of the debt is amortised as a finance cost over the loan period using the effective interest rate method while cost of equity is accounted for as transaction cost of equity.

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

INVESTMENTS AND OTHER FINANCIAL ASSETS

Investment in subsidiaries are recognised at cost.

IMPAIRMENT OF FINANCIAL ASSETS

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

NOTE 2
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. Depreciation commences when the asset is available for use as intended by management.

Construction in progress is stated at cost, net of accumulated impairment losses, if any. Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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	4 years
Tools and equipment	10 years
Furniture	5 years
Satellite equipment	3 to 5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

RIGHTS-OF-USE ASSETS

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

NOTE 2
CONTINUED

INTANGIBLES ASSETS

Development Costs
The Group recognises as an expense all research costs and costs associated with maintaining intangible assets.

Costs that are directly attributable to the design, development and testing of identifiable intangible assets controlled by the Group are recognised as an intangible asset if and only if all of the following criteria are met.

1. *it is technically feasible to complete the intangible asset so that it will be available for use;*
2. *management intends to complete the intangible asset and use or sell it;*
3. *there is an ability to use or sell the intangible asset;*
4. *it can be demonstrated that the intangible asset will generate probable future economic benefits; adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and*
5. *the expenditure attributable to the intangible asset during its development can be reliably measured.*

Directly attributable costs that are capitalised as part of the intangible asset include the costs of the employees working on the development. Research and other development expenditures and that do not meet these criteria are recognised as an expense as incurred.

Intangible assets are amortised over a maximum period of 5 years from the date that they become operational. Factors to consider when determining the amortisation period include:

- defined life of the intangible asset;
- planned or expected obsolescence of the intangible asset; and
- defined life of another asset to which the intangible asset is associated or linked.

Impairment reviews on each intangible asset are conducted annually by management.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. 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.

NOTE 2
CONTINUED

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.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on the most recent budgets and forecast calculations, which are prepared separately for each of the Group's Cash Generating Units (CGU)s to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years or a shorter period if the useful life of the CGU is less than five years. A long-term growth rate is calculated and applied to project future cash flows after the end of the period if appropriate.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

TRADE AND OTHER PAYABLES

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Related party payables are recognised at amortised cost.

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 ('EIR').

NOTE 2
CONTINUED

After initial recognition, borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised 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 statement of profit or loss.

LEASE LIABILITIES

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

FINANCE COSTS

Finance costs are expensed in the period in which they are incurred.

EMPLOYEE BENEFITS

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

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.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using the Black Scholes option pricing model that takes into account the exercise price, the term of the option, the CDI price at grant date, 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 Group receives the services that entitle the employees to receive options. No account is taken of any other vesting conditions.

NOTE 2
CONTINUED

The cost of equity-settled transactions is 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.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Equity-settled awards by the parent to employees of subsidiaries are recognised in the parent's individual financial statements as an increase in investment in the subsidiary with a corresponding credit to equity and not as a charge to profit or loss. The investment in subsidiary is reduced by any contribution by the subsidiary.

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.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised over the remaining vesting period for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group 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, they are treated as if they had 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 2
CONTINUED

FAIR VALUE MEASUREMENT

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based the asset's highest and best use. Valuation techniques used to measure fair value are those that are appropriate in the circumstances and which maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

ISSUED CAPITAL

CDIs are classified as equity.

Incremental costs directly attributable to the issue of new CDIs or options are deducted against equity. Costs including marketing costs which do not meet the definition of transaction costs are charged to the profit or loss.

CDIs issued upon the exercise of warrants or options are valued at the exercise price of the warrant or option less the cost ascribed to the respective warrants or options at the grant date.

EARNINGS PER CDI

Basic earnings per CDI
Basic earnings per CDI is calculated by dividing the profit or loss attributable to the owners of Kleos Space S.A., excluding any costs of servicing equity other than CDIs, by the weighted average number of CDIs outstanding during the financial period, adjusted for bonus elements in CDIs issued during the financial period.

NOTE 2
CONTINUED

Diluted earnings per CDI
Diluted earnings per CDI adjusts the figures used in the determination of basic earnings per CDI to take into account the after income tax effect of interest and other financing costs associated with dilutive potential CDIs and the weighted average number of CDIs assumed to have been issued for no consideration in relation to dilutive potential CDIs.

VALUE ADDED TAX ('VAT') AND OTHER SIMILAR TAXES

Revenues, expenses and assets are recognised net of the amount of associated VAT, unless the VAT incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of VAT receivable or payable. The net amount of VAT recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The VAT components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of VAT recoverable from, or payable to, the tax authority.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET MANDATORY OR EARLY ADOPTED

The new and amended standards and interpretations (that are applicable to the Group) issued, but not yet effective, up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

NOTE 2
CONTINUED

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group and the Company are currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

The amendments are not expected to have a material impact on the Group and the Company.

Reference to the Conceptual Framework – Amendments to IFRS 3
In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

The amendments are not expected to have a material impact on the Group and the Company.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
In May 2020, the IASB issued Property, Plant and Equipment - Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group and the Company.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

NOTE 2
CONTINUED

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group and the Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

The amendments are not expected to have a material impact on the Group and the Company.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments are not expected to have a material impact on the Group and the Company.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group and the Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group and the Company.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance

NOTE 2
CONTINUED

on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

Definition of Accounting Estimates - Amendments to IAS 8
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

NOTE 3

CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

JUDGEMENTS

Determining the lease term of contracts with renewal and termination options (note 21)
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

ESTIMATES AND ASSUMPTIONS

Coronavirus (COVID-19) pandemic
Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the

NOTE 3
CONTINUED

Group operates. Although the COVID-19 pandemic has been an important factor in delaying the launch and subsequent bringing into use of Cluster 1 there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic. Nevertheless it remains possible that future negative developments may arise including, but not limited to satellite launch delays, depending on the future development of the Coronavirus (COVID-19) pandemic.

Share-based payment transactions (note 33)
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Fair value measurement hierarchy (note 27)
The Group is required to classify all assets and liabilities, measured 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; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets (note 15)
The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment (including satellite equipment) and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets (note 15)
The Group assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. The impairment review involves assessing the value of the asset at fair value less costs of disposal and using value-in-use models which incorporate a number of key estimates and assumptions. In de-

NOTE 3
CONTINUED

termining the fair value the Group normally uses the Discounted Cash Flows ('DCF') method with fair value being estimated using assumptions regarding the benefits and liabilities of ownership over the asset's or cash generating unit's lives including an exit or terminal value if appropriate. The duration of the cash flow and specific timing of inflows and outflows are determined by assumptions such as the useful life of the asset or the expected period of the cash generating unit, the technical health of the underlying assets, the potential revenue streams considering any customer contract backlog and customer leads, the Group's assessment of the future market opportunities and the ongoing costs and investments required to operate the underlying assets and cash generating units. The Group also performs a technical assessment of the condition of the satellites as a basis for its impairment test.

Income tax (note 10)
The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement and estimates are required in recognising and measuring current and deferred tax amounts. For any uncertain tax treatment adopted relating to transactions or events, the Group recognises and measures tax related amounts having regard to both the probability that such amounts may be challenged by a tax authority and the expected resolution of such uncertainties. In such circumstances, tax balances are determined based on either most-likely amount or expected-value probability-based outcomes. Where final tax outcomes vary from what is estimated, such differences will impact the current and deferred tax provisions recognised in the financial statements.

Recovery of deferred tax assets (note 10)
Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Development costs (note 17)
Development costs have not been capitalised until the technical feasibility of completing the intangible asset has been achieved and until it is probable that the future economic benefits generated will flow to the Group. When such criteria are met, costs are capitalised.

Government grant income (note 5)
Currently the Group's principal source of income is funding received as part of a grant made by the European Space Agency acting on behalf of the Government of Luxembourg.

Leases - Estimating the incremental borrowing rate (note 21)
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

NOTE 4

OPERATING SEGMENTS

Identification of reportable operating segments
The Group operates in one segment, based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

As a result, the operating segment information is as disclosed in the financial statements and notes to the financial statements throughout the report.

NOTE 5

GOVERNMENT GRANTS AND OTHER REVENUE

	Consolidated		Company	
	2021 €	**2020 €**	**2021 €**	**2020 €**
Government grants	78,320	176,220	78,320	176,220
Other revenue	47,208	-	31,980	-
Government grants and other revenue	125,528	176,220	110,300	176,220

GOVERNMENT GRANTS

Grants revenue represents funding received as part of a grant made by the European Space Agency acting on behalf of the Government of Luxembourg and as a subcontractor to the program of another government. To the extent that all payments are made by the Agency against relevant milestone delivery, the Group recognises revenue in profit or loss in line with expenditure and recognises the balance as a liability in the statement of financial position. Accrued income is recognised as an asset for amount receivable against revenue recognised on milestone delivery. Accordingly, the Group recognised **€78,320** (2020: €176,220) of income from government grants in line with expenditure incurred during the year ended 31 December 2021 and accrued income of **€93,005** at 31 December 2021 (2020: €73,425) (refer to note 13).

OTHER REVENUE

The Group recognised other revenue of **€47,208** which includes proceeds of **€167,900** from the resale of a portion of the launch services it contracted for the launch of the second cluster of satellites, less associated costs of **€135,920**.

NOTE 6

OPERATING EXPENSES

	Consolidated		Company	
	2021 €	2020 €	2021 €	2020 €
Administration expenses	213,023	200,857	43,094	172,208
Consulting and professional fees	1,072,744	1,011,294	1,028,317	986,795
Payroll tax expense	77,366	3,934	-	-
Rent expenses	78,937	26,396	49,250	19,700
Travel expenses	114,435	56,213	53,742	43,994
Recharge by subsidiaries	-	-	2,460,311	1,531,014
	1,556,505	1,298,694	3,634,714	2,753,711

Consulting and professional fees
The consulting and professional fees for the year ended 31 December 2021 and 31 December 2020 include auditor's remuneration, refer to note 9.

Recharge by subsidiaries
The Company and its subsidiaries have entered into contractual agreements for the provision of services by the subsidiaries to the Company. The value of the services provided for the year ended 31 December 2021 was **€2,460,311** (2020: €1,531,014).

NOTE 7

EMPLOYEE BENEFIT EXPENSES

	Consolidated		Company	
	2021 €	2020 €	2021 €	2020 €
Salaries and benefits*	2,852,473	1,616,087	949,528	993,622
Share-based payments	111,435	(330,061)	111,435	(330,061)
	2,963,908	1,286,026	1,060,963	663,561

** €298,831 is capitalised during the year, refer to note 17.*

	Consolidated		Company	
	2021 €	2020 €	2021 €	2020 €
Annual average number of employees	22	15	8	10

NOTE 8

EXPENSES

	Consolidated		Company	
	2021 €	2020 €	2021 €	2020 €
Loss before income tax includes the following specific expenses:				
Depreciation				
Computer equipment	4,594	1,269	4,594	1,269
Tools and equipment	6,631	6,633	6,631	6,633
Furniture	708	69	708	69
Satellite equipment	748,730	-	748,730	-
Office premises right-of-use assets	8,204	35,243	8,204	35,243
	768,867	43,214	768,867	43,214
Finance Costs				
Interest and finance charges	82,613	26,382	82,613	26,382
Interest and finance charges paid/payable on lease liabilities	4,964	2,798	4,964	2,798
Interest on convertible notes (convertible notes were redeemed on 27 February 2020)	-	216,770	-	216,770
Interest on amount payable to the Luxembourg Ministry of the Economy	732	458	732	458
Interest on Winance loan (fully repaid in February 2021)	196,023	1,014,468	196,023	1,014,468
	284,332	1,260,876	284,332	1,260,876
Net foreign exchange (gain)loss (included in other expenses)				
Net foreign exchange (gain)loss	(164,761)	32,548	(164,761)	32,548

NOTE 9

REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by Ernst & Young, the auditor of the Company:

	Consolidated		Company	
	2021 €	**2020 €**	**2021 €**	**2020 €**
Audit services - Ernst & Young S.A.				
Audit or review of the financial statements	58,824	55,000	58,824	55,000

During the financial period, no non-audit services were received by the Group or Company.

NOTE 10

INCOME TAX

	Consolidated		Company	
	2021 €	**2020 €**	**2021 €**	**2020 €**
Numerical reconciliation of income tax expense and tax at the statutory rate				
Loss before income tax expense	(6,365,904)	(4,868,238)	(6,554,130)	(5,697,558)
Tax at the statutory tax rate of 24.94%	(1,587,656)	(1,214,139)	(1,634,600)	1,420,971
Tax effect amounts which are not deductible/ (taxable) in calculating taxable income:				
Current period tax losses not recognised	1,589,562	1,214,139	1,634,600	1,420,971
Income tax expense	1,906	-	-	-

Given the Group is in the early stages of development, there is no certainty that taxable income will be generated and, therefore, no deferred tax assets in relation to temporary differences or tax losses have been included in the financial statements. The cumulative tax losses of the Company to the end of 2020 are **€11,632,314**. Tax losses can be carried forward for 17 years, and will expire as follows **2034: €183,494**; **2035: €2,937,953**; **2036: €2,820,506**; and **2037: €5,690,361**. The tax loss for 2021 is expected to approximate the loss in the financial statements of **€6,554,130**.

NOTE 11

EARNINGS PER CDI

	Consolidated		Company	
	2021 €	**2020 €**	**2021 €**	**2020 €**
Loss after income tax attributable to the owners of Kleos Space S.A.	(6,367,810)	(4,868,238)	(6,554,130)	(5,697,558)
	Number	Number	Number	Number
Weighted average number of CDIs used in calculating basic earnings per CDI	165,551,519	118,966,257	165,551,519	118,966,257
	Cents	Cents	Cents	Cents
Basic earnings per CDI	(3.846)	(4.091)	(3.959)	(4.789)
Diluted earnings per CDI	(3.846)	(4.091)	(3.959)	(4.789)

At 31 December 2021 and 2020, performance rights, options issued with or without services conditions and warrants 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 12

CASH AND CASH EQUIVALENTS

	Consolidated		Company	
	2021 €	**2020 €**	**2021 €**	**2020 €**
Current assets				
Cash on hand	47	34	33	33
Cash at bank	5,785,131	10,787,929	5,648,297	10,778,664
	5,785,178	10,787,963	5,648,330	10,778,697

NOTE 13 TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	Consolidated		Company	
	2021 €	2020 €	2021 €	2020 €
Current assets				
Government grant (note 5)	93,005	73,425	93,005	73,425
Receivable from subsidiaries	-	-	26,848	7,567
Other receivables	111,714	32,963	58,740	32,732
Prepayments	909,690	456,942	909,414	456,942
Net VAT refundable	170,939	85,630	169,089	83,097
	1,285,348	648,960	1,257,096	653,763

Receivable from subsidiaries is repayable on demand and is non-interest bearing.

Prepayments represent payments to Spaceflight in relation to the launch of the Cluster 3 and 4 Satellites and also includes other prepayments for insurance, memberships and marketing services.

Allowance for expected credit losses
The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2021 %	2020 %	2021 €	2020 €	2021 €	2020 €
Consolidated						
Current and not overdue	-	-	93,005	73,425	-	-
Company						
Current and not overdue	-	-	93,005	73,425	-	-

The above table also represents the ageing of the receivables of the Group. The Group performed an analysis of expected credit losses and assessed the expected credit loss as being immaterial.

NOTE 14 SHARES IN SUBSIDIARIES

	Consolidated		Company	
	2021 €	2020 €	2021 €	2020 €
Non-current assets				
Shares in subsidiaries	-	-	204	204

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

Name	Principle place of business / Country of incorporation	Ownership interest 2021 %	Ownership interest 2020 %
Kleos Space (Asia Pacific) Pty Ltd	Australia	100%	100%
Kleos Space Ltd	United Kingdom	100%	100%
Kleos Space Inc.	United States of America	100%	100%

NOTE 15

PROPERTY, PLANT AND EQUIPMENT

	Consolidated		Company	
	2021 €	**2020 €**	**2021 €**	**2020 €**
Non-current assets				
Computer equipment - at cost	34,202	5,149	34,202	5,149
Less: Accumulated depreciation	(8,780)	(4,186)	(8,780)	(4,186)
	25,422	963	25,422	963
Tools and equipment - at cost	67,245	67,245	67,245	67,245
Less: Accumulated depreciation	(24,296)	(17,665)	(24,296)	(17,665)
	42,949	49,580	42,949	49,580
Furniture - at cost	19,508	350	19,508	350
Less: Accumulated depreciation	(898)	(190)	(898)	(190)
	18,610	160	18,610	160
Satellite equipment - at cost	4,492,379	-	4,492,379	-
Less: Accumulated depreciation	(748,730)	-	(748,730)	-
	3,743,649	-	3,743,649	-
Satellite equipment (construction-in-progress)	5,543,651	5,416,284	5,543,651	5,416,284
	9,374,281	5,466,987	9,374,281	5,466,987

NOTE 15
CONTINUED

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Computer equipment €	Tools & equipment €	Furniture €	Satellite equipment €	Satellite equipment (progress) €	Total €
Consolidated						
Balance at 1 January 2020	2,232	56,213	229	-	2,384,240	2,442,914
Additions	-	-	-	-	3,032,044	3,032,044
Depreciation expense	(1,269)	(6,633)	(69)	-	-	(7,971)
Balance at 31 January 2020	963	49,580	160	-	5,416,284	5,466,987
Additions	29,053	-	19,158	-	4,619,746	4,667,957
Transfers in/(out)	-	-	-	4,492,379	(4,492,379)	-
Depreciation expense	(4,594)	(6,631)	(708)	(748,730)	-	(760,663)
Balance at 31 January 2021	25,422	42,949	18,610	3,743,649	5,543,651	9,374,281

The reconciliation of the written down values of the Group and the Company are the same.

The Company began providing data from the first cluster of four satellites to customers for testing purposes in July 2021. The first cluster of satellites is therefore being depreciated from July 2021, over a period of 3 years.

At the reporting date, management performed an impairment review to determine whether events or change in circumstances indicate that the carrying value of assets may not be recoverable. The CGU for satellite equipment was determined as the total number of satellite clusters in operation. The Scouting Mission (Cluster 1 or KSM1) became operational on 1 July 2021 with a projected useful life of three years. The DCF of the expected fair value of this Cluster 1 was estimated using assumptions regarding the benefit and liabilities of ownership over the Cluster's useful life and applying an appropriate market derived discount rate to establish the present value on the income stream associated with the Cluster. Management also performed a fair value calculation for the total property, plant and equipment including satellite equipment construction in progress whereby the cash generating unit was assumed as the targeted fleet configuration as per the Group's business plan over the assumed Business plan period. Management concluded that there was no impairment required for property plant and equipment as at 31 December 2021.

NOTE 16 RIGHT-OF-USE ASSETS

	Consolidated		Company	
	2021 €	2020 €	2021 €	2020 €
Non-current assets				
Office premises - right-of-use	147,675	88,107	147,675	88,107
Less: Accumulated depreciation	(8,204)	(88,107)	(8,204)	(88,107)
	139,471	-	139,471	-

The Group leases office premises under a three year agreement with an option to extend for an additional 3 year period. The lease has an escalation clause. On renewal, the terms of the lease may be renegotiated.

The right-of-use assets relates to the Company's office premises.

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Office premises €
Consolidated	
Balance at 1 January 2020	35,243
Additions	-
Depreciation expense	(35,243)
Balance at 31 January 2020	-
Additions	147,675
Depreciation expense	(8,204)
Balance at 31 January 2021	139,471

The reconciliation of the written down values of the Group and the Company are the same.

NOTE 17 INTANGIBLES

	Consolidated		Company	
	2021 €	2020 €	2021 €	2020 €
Non-current assets				
Development - at cost	298,831	-	298,831	-

	Development costs €
Consolidated	
Balance at 1 January 2020	-
Balance at 31 January 2020	-
Additions (capitalised employee costs)	298,831
Balance at 31 January 2021	298,831

The reconciliation of the written down values of the Group and the Company are the same.

The Group capitalises development costs as an intangible asset once the intangible asset has met the criteria defined in the Group's accounting policy (see note 2).

Research and development costs that do not meet such criteria are recognised as an expense as incurred.

Impairment reviews are conducted annually by management.

NOTE 18 TRADE AND OTHER PAYABLES

	Consolidated 2021 €	Consolidated 2020 €	Company 2021 €	Company 2020 €
Current liabilities				
Trade payables*	484,718	422,713	466,051	421,550
Payable to related party	301	301	-	-
Payable to subsidiaries	-	-	119,573	71,839
	485,019	423,014	585,624	493,389

Refer to note 26 for further information on financial instruments.

* *Trade payables represents amounts due for operating expenses.*

NOTE 19 ACCRUED EXPENSES

	Consolidated 2021 €	Consolidated 2020 €	Company 2021 €	Company 2020 €
Current liabilities				
Social security payable	32,353	17,934	30,946	17,934
Withholding tax payable	18,029	12,090	13,070	12,090
Net wealth tax accrual	71,405	6,230	71,405	6,230
Other accruals*	452,261	286,842	452,261	286,928
	574,048	323,096	567,682	323,182

* *Other accruals for the year ended 31 December 2021 include accruals for satellite milestones of* €243,640*, and government grant subcontractors of* €109,032.

NOTE 20 BORROWINGS

	Consolidated 2021 €	Consolidated 2020 €	Company 2021 €	Company 2020 €
Current liabilities				
Winance loan	-	3,319,643	-	3,319,643
Payable to the Luxembourg Ministry of the Economy	146,457	146,457	146,457	146,457
	146,457	3,466,100	146,457	3,466,100

Refer to note 26 for further information on financial instruments.

Winance loan
On 18 February 2020, the Company secured a loan agreement of €3,410,000 (A$5,500,000) with a Dubai-based Family Office, Winance Investment LLC ('Winance'), for a period of 12 months. The Company could elect to repay or prepay in full all loans outstanding by issuing convertible notes. The Company determined that this loan does not contain any equity instrument. The Company repaid the loan on 18 February 2021 upon the expiry of its term.

Interest was 1.5% per month, payable monthly. Alternatively, the Company could elect to issue CDIs in payment of the interest, in which case the interest rate would be 2.0% per month. The Company did not issue any CDIs during the year ended 31 December 2020 and 31 December 2021, in settlement of interest payable.

Payable to the Luxembourg Ministry of the Economy
This payable represents a short-term funding facility given by the Luxembourg Ministry of the Economy, under a Coronavirus support scheme. Interest is payable at 0.5% interest per annum. The facility is repayable in monthly instalments from January 2022 to December 2025 in accordance with a repayment plan agreed in August 2021.

NOTE 21 LEASE LIABILITIES

	Consolidated		Company	
	2021 €	2020 €	2021 €	2020 €
Current liabilities				
Lease liabilities	43,139	-	43,139	-
Non-current liabilities				
Lease liabilities	109,499	-	109,499	-
	152,638	-	152,638	-

Lease liabilities relates to the right-of-use of the Group's office premises. Refer to note 16.

Refer to note 26 for maturity analysis of lease liabilities.

The short-term lease payments recognised in the profit or loss as rent expense are as follows:

	Consolidated		Company	
	2021 €	2020 €	2021 €	2020 €
Short-term lease payments	78,937	26,396	49,250	19,700

NOTE 22 DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated		Company	
	2021 €	2020 €	2021 €	2020 €
Current liabilities				
Derivative financial instruments - warrants	1,415,548	657,739	1,415,548	657,739
Derivative financial instruments - options	1,899,161	176,234	1,899,161	176,234
	3,314,709	833,973	3,314,709	833,973

Refer to note 27 for further information on fair value measurement.

Warrants
On 20 February 2020, the Company issued 6,319,125 warrants to Winance with an exercise price of **A$0.38**, which can be exercised anytime over a three-year term. The warrants have been issued as part of the consideration for the financial accommodation received under the Winance loan (note 20).

On 6 July 2020, the Company issued a further 2,285,381 warrants to Winance with an exercise price of **A$0.38** which can be exercised anytime over a three-year term on satisfying the conditions of the loan agreement.

On 30 October 2020, 3,000,000 warrants to Winance were exercised at **A$0.38** for a total of **A$1,140,000** (€694,527).

The warrants have been accounted for as derivative liabilities. The fair value of the 8,604,506 warrants issued at grant date was **€136,325**. This value was accounted for as a cost of obtaining the Winance loan and deducted from that loans' carrying value. The cost of the warrants is therefore amortised as a finance cost over the loan period using the effective interest rate method.

At reporting date, the fair value of the remaining 5,604,506 warrants was **€1,415,548** (31 December 2020: €657,739).

Options
On 17 July 2020, the Company issued 2,000,000 options with an exercise price of **A$0.50**, which can be exercised at any time over a three-year term. The options have been issued as part of the consideration for a subscription for 10,000,001 CDIs.

On 15 September 2021, the Company issued 8,901,175 options with an exercise price of **A$1.20**, which can be exercised at any time over a three-year term. The options have been issued as part of the consideration for a subscription for 14,835,292 CDIs (note 23).

The options have been accounted for as derivative liabilities. The fair value at grant date of the 2,000,000 and 8,901,175 options issued was **€146,950** and **€1,759,200** respectively. This value was accounted for as a cost of obtaining the equity investment and deducted from share capital.

At reporting date, the fair value of the outstanding 10,901,175 options was **€1,899,161** (31 December 2020: 2,000,000 options at €176,234).

The charge of **€721,536** represents the change in valuation of the warrants and options in the year, or from the date of issuance if issued during the year. In 2021 the valuation of the warrants has increased by **€757,809**, and the valuation of the 2020 options increased by **€274,349**. The valuation of the 2021 options decreased by **€310,622** since their issuance in September 2021.

NOTE 23

CONTRIBUTED EQUITY

	Consolidated			
	2021 CDIs	2020 CDIs	2021 €	2020 €
CHESS Depository Interests - fully paid	177,603,393	159,573,436	28,456,260	21,867,982

	Company			
	2021 CDIs	2020 CDIs	2021 €	2020 €
CHESS Depository Interests - fully paid	177,603,393	159,573,436	28,456,260	21,867,982

Movements in CDI (Consolidated and Company)

Details	Date	CDIs	Issue Price	€
Balance	1/1/2020	106,627,500		7,687,994
Issue of CDIs at A$ 0.3000	17/7/2020	10,000,001	€0.1847	1,847,404
Issue of CDIs at A$ 0.0020	17/7/2020	300,000	€0.0010	300
Issue of CDIs - conversion of performance rights	17/7/2020	9,000,000	€0.0395	355,181
Issue of CDIs - exercise of options at A$ 0.3000	30/10/2020	650,000	€0.1805	117,354
Issue of CDIs - exercise of options at A$ 0.4000	30/10/2020	400,000	€0.2407	96,291
Issue of CDIs - exercise of warrants at A$ 0.3800	30/10/2020	3,000,000	€0.2315	694,527
Issue of CDIs - exercise of options at A$ 0.4000	30/10/2020	50,000	€0.2407	12,036
Issue of CDIs - exercise of options at A$ 0.4000	3/11/2020	840,000	€0.2407	202,210
Issue of CDIs - exercise of options at A$ 0.4000	13/11/2020	710,000	€0.2437	173,023
Issue of CDIs at A$ 0.4540	17/11/2020	907,046	€0.2713	246,100
Issue of CDIs at A$ 0.7200	17/11/2020	10,585,878	€0.4443	4,703,521
Issue of CDIs - exercise of options at A$ 0.4000	27/11/2020	200,000	€0.2437	48,738
Issue of CDIs - exercise of options at A$ 0.3000	27/11/2020	500,000	€0.1828	91,385
Issue of CDIs at A$ 0.7200	7/12/2020	12,891,930	€0.4407	5,681,176
Issue of CDIs at A$ 0.7200	9/12/2020	2,911,081	€0.4407	1,282,846
Deduction from proceeds				(146,950)
Transaction costs, net of tax				(1,225,154)

NOTE 23 CONTINUED

Details	Date	CDIs	Issue Price	€
Balance	31/12/2020	159,573,436		21,867,982
Issue of CDIs - exercise of options at A$0.30	28/1/2021	30,000	€0.1908	5,725
Issue of CDIs - exercise of options at A$0.30	16/2/2021	50,000	€0.1917	9,586
Issue of CDIs - exercise of options at A$0.30	18/2/2021	550,000	€0.1928	106,039
Issue of CDIs - exercise of options at A$0.30	29/6/2021	500,000	€0.1900	94,998
Issue of CDIs - exercise of options at A$0.30	8/7/2021	25,000	€0.1904	4,760
Issue of CDIs - exercise of options at A$0.30	28/7/2021	560,000	€0.1880	105,288
Issue of CDIs - exercise of options at A$0.30	2/8/2021	100,000	€0.1868	18,685
Issue of CDIs - exercise of options at A$0.30	16/8/2021	760,000	€0.1874	142,445
Issue of CDIs - exercise of options at A$0.30	18/8/2021	250,000	€0.1856	46,389
Issue of CDIs at A$0.7771	15/9/2021	369,665	€0.4970	183,750
Issue of CDIs at A$0.85	15/9/2021	14,835,292	€0.5290	7,850,750
Unissued CDIs for equity-settled transactions				337,600
Deduction from proceeds				(1,759,200)
Transaction costs, net of tax				(558,537)
Balance	31/12/2021	177,603,393		28,456,260

CHESS Depository Interests ('CDI') entitles the holder to participate in dividends and any proceeds on a winding up of the Company in proportions that consider both the number of CDIs held and the extent to which those CDIs are paid up.

All CDIs carry one vote per CDI.

The Company does not have a limited amount of authorised capital.

In 2021, the Company raised in total **€8,568,415** (2020: €15,552,094) less capital raising costs of **€558,537** (2020: €1,225,154). Capital raising costs includes the fair value of 72,941 (2020: 3,000,000) options (note 33) granted to a third party for services rendered as part of the fund raising activities.

As part of the issuance of 10,000,001 CDIs on 17 July 2020 disclosed above, the Company also issued 2,000,000 options to one shareholder, for which the fair value at grant date (€146,950) has been deducted from proceeds. These options are recorded as financial liabilities with change in fair value through profit and loss as disclosed under note 22.

As part of the issuance of 14,835,292 CDIs on 15 September 2021 disclosed above, the Company also issued 8,901,175 options to participating CDI holders, for which the fair value at grant date (€1,759,200) has been deducted from the proceeds. These options are recorded as financial liabilities with change in fair value through profit and loss as disclosed under note 22.

NOTE 23
CONTINUED

In 2021, the Company entered into transactions for services with a value of €337,600 that are to be settled by the issuance of CDIs which have not yet been issued.

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

Capital risk management
The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for CDIholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to CDIholders, return capital to CDIholders, issue new CDIs or sell assets to reduce debt.

The Group regularly requires additional debt or equity funding in order to fund operating and capital expenditures, particularly until it generates revenue after the launch of the first satellites.

The capital risk management policy remains unchanged from the 2020 Annual Report.

NOTE 24

RESERVES

	Consolidated		Company	
	2021 €	2020 €	2021 €	2020 €
Foreign currency reserve	(6,596)	124	-	-
Share-based payments reserve	397,602	265,278	397,602	265,278
	392,006	256,402	397,602	265,278

Foreign currency reserve
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Euro.

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 (including share raising activities).

NOTE 24
CONTINUED

	Foreign currency €	Share-based €	Other €	Total €
Consolidated				
Balance at 1 January 2020	(747)	730,095	(19,369)	709,979
Foreign currency translation	871	-	-	871
Share-based payments	-	265,278	-	265,278
Reversal on exercise of performance rights	-	(355,181)	-	(355,181)
Reversal on expiry of performance rights	-	(374,914)	-	(374,914)
Reversal of reserve on extinguishment of convertible notes	-	-	19,369	19,369
Balance at 31 December 2020	124	265,278	-	265,402
Foreign currency translation	(6,720)	-	-	(6,720)
Share-based payments	-	132,324	-	132,324
Balance at 31 December 2021	(6,596)	397,602	-	391,006

	Foreign currency €	Share-based €	Other €	Total €
Company				
Balance at 1 January 2020	-	730,095	(19,369)	710,726
Share-based payments	-	265,278	-	265,278
Reversal on exercise of performance rights	-	(355,181)	-	(355,181)
Reversal on expiry of performance rights	-	(374,914)	-	(374,914)
Reversal of reserve on extinguishment of convertible notes	-	-	19,369	19,369
Balance at 31 December 2020	-	265,278	-	265,278
Share-based payments	-	132,324	-	132,324
Balance at 31 December 2021	-	397,602	-	397,602

NOTE 25

DIVIDENDS

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

NOTE 26

FINANCIAL INSTRUMENTS

Financial risk management objectives
The Group's activities expose it to certain financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the Board of Directors ('the Board'). The Board uses different methods to measure different types of risks to which the Group is exposed. These methods include ageing analysis for credit risk and sensitivity analysis in the case of interest rate risk.

Market risk
Foreign currency risk
The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

The carrying amount of the Group's and the Company's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
	2021 €	2020 €	2021 €	2020 €
Consolidated				
US dollars	116,452	8,785	23,258	-
Pound Sterling	5,652	3,245	526	1,448
Australian dollars	5,378,462	179,992	6,455	-
	5,500,566	192,022	30,239	1,448
Company				
Australian dollars	5,361,868	179,992	-	-

NOTE 26
CONTINUED

At 31 December 2021, the Group had net financial assets denominated in foreign currency of **€5,470,327** (2020: €190,574).

Based on this exposure, had the Euro strengthened by 10%/weakened by 10% (2020: strengthened by 10%/ weakened by 10%) against these foreign currencies with all other variables held constant, the Group's loss before tax for the period would have been **€547,033** lower/**€547,033** higher (2020: €19,057 lower/€19,057 higher) and equity would have been **€547,033** lower/**€547,033** higher (2020: €19,057 lower/€19,057 higher).

The Winance loan was received in Euro and is repaid in Euro.

At 31 December 2021, the Company had net financial assets denominated in foreign currency of **€5,361,868** (2020: €179,992).

Based on this exposure, had the Euro strengthened by 10%/weakened by 10% (2020: strengthened by 10%/weakened by 10%) against these foreign currencies with all other variables held constant, the Company's loss before tax for the period would have been **€536,187** lower/**€536,187** higher (2020: €17,999 lower/€17,999 higher) and equity would have been **€536,187** lower/**€536,187** higher (2020: €17,999 lower/€17,999 higher).

The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 12 months each year and the spot rate at each reporting date.

Price risk
The Group and the Company is not exposed to any significant price risk.

Interest rate risk
At the reporting date, the Group had no variable rate borrowings.

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group and the Company monitors the receivables on an ongoing basis and its exposure to bad debts is not significant.

The Group and the Company's cash at bank is deposited with creditworthy banks with no recent history of default.

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any allowance for expected credit losses of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Liquidity risk
Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

The Group and the Company manages liquidity risk by maintaining adequate cash reserves which it does by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

NOTE 26
CONTINUED

Remaining contractual maturities
The following table details the Group's and Company's remaining contractual maturity for its financial instrument liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid.

Consolidated - 2021	Weighted Avg. interest %	1 year or less €	Between 1-2 years €	Between 2-5 years €	Over 5 years €	Remaining contractual maturities €
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	484,718	-	-	-	484,718
Other current liabilities	-	6,963	-	-	-	6,963
Interest-bearing - fixed rate						
Lease liabilities	13.10%	68,709	70,083	59,571	-	198,363
Payable to the Luxembourg Ministry of the Economy	0.50%	36,989	36,989	73,978	-	147,956
Total non-derivatives		597,379	107,072	133,549	-	838,000
Derivatives						
Warrants*	-	1,415,548	-	-	-	1,415,548
Options	-	1,899,161	-	-	-	1,899,161
Total derivatives		3,314,709	-	-	-	3,314,709

Consolidated - 2020	Weighted Avg. interest %	1 year or less €	Between 1-2 years €	Between 2-5 years €	Over 5 years €	Remaining contractual maturities €
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	422,713	-	-	-	422,713
Other current liabilities	-	524	-	-	-	524
Interest-bearing - fixed rate						
Winance loan	18.00%	3,512,300	-	-	-	3,512,300
Payable to the Luxembourg Ministry of the Economy	0.50%	146,457	-	-	-	146,457
Total non-derivatives		4,081,994	-	-	-	4,081,994
Derivatives						
Warrants*	-	657,739	-	-	-	657,739
Options	-	176,234	-	-	-	176,234
Total derivatives		833,973	-	-	-	833,973

NOTE 26
CONTINUED

Company - 2021	Weighted Avg. interest %	1 year or less €	Between 1-2 years €	Between 2-5 years €	Over 5 years €	Remaining contractual maturities €
Non-derivatives						
Non-interest bearing						
Trade payables	-	466,051	-	-	-	466,051
Other current liabilities	-	2,148	-	-	-	2,148
Interest-bearing - fixed rate						
Lease liabilities	13.10%	68,709	70,083	59,571	-	198,363
Payable to the Luxembourg Ministry of the Economy	0.50%	36,989	36,989	73,978	-	147,956
Total non-derivatives		573,897	107,072	133,549	-	814,518
Derivatives						
Warrants*	-	1,415,548	-	-	-	1,415,548
Options	-	1,899,161	-	-	-	1,899,161
Total derivatives		3,314,709	-	-	-	3,314,709

Company - 2020	Weighted Avg. interest %	1 year or less €	Between 1-2 years €	Between 2-5 years €	Over 5 years €	Remaining contractual maturities €
Non-derivatives						
Non-interest bearing						
Trade payables	-	421,550	-	-	-	421,550
Other current liabilities	-	524	-	-	-	524
Interest-bearing - fixed rate						
Winance loan	18.00%	3,512,300	-	-	-	3,512,300
Payable to the Luxembourg Ministry of the Economy	0.50%	146,457	-	-	-	146,457
Total non-derivatives		4,080,831	-	-	-	4,080,831
Derivatives						
Warrants*	-	657,739	-	-	-	657,739
Options	-	176,234	-	-	-	176,234
Total derivatives		833,973	-	-	-	833,973

NOTE 26
CONTINUED

** The figure provided for warrants represents the maximum possible cash payment that could be made to warrant holders on exercise of warrants should their total CDI holding exceed a threshold on exercise. The thresholds are as follows: (i) 20%; (ii) 33%; (iii) 50%; and (iv) any other threshold provided by applicable law. The consent of the Luxembourg Government is required before any person may directly or indirectly hold Shares or CDIs in such a way that the proportion of voting rights held by such person would meet or exceed these thresholds. If, upon an exercise of warrants, the proportion of voting rights directly or indirectly linked to the CDI's would meet or exceed a threshold, the Company must notify the warrant holder of this fact, and the warrant holder must obtain prior consent of the Luxembourg Licensing Authority. Alternatively, the warrant holder may elect at any time to exercise the warrants by redeeming them for a cash payment by given a Cash Redemption Notice to the Company. The Company must pay to the warrant holder a cash payment determined in accordance with the following formula: Number of warrants X (Current share price - Exercise price). Such a cash redemption amount is equivalent to the fair value disclosed in the above tables. Should a warrant holders CDI holding not exceed a threshold amount on exercise, such warrant holders will pay to the Company the exercise price in exchange for CDIs in the Company, and no cash will be exchanged.*

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

NOTE 27

FAIR VALUE MEASUREMENT

Fair value hierarchy
The following tables detail the Group's and 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

NOTE 27
CONTINUED

Consolidated - 2021	Level 1 €	Level 2 €	Level 3 €	Total €
Liabilities				
Derivative financial instruments - warrants	-	-	1,415,548	1,415,548
Derivative financial instruments - options	-	-	1,899,161	1,899,161
Total liabilities	-	-	3,314,709	3,314,709

Consolidated - 2020	Level 1 €	Level 2 €	Level 3 €	Total €
Liabilities				
Derivative financial instruments - warrants	-	-	657,739	657,739
Derivative financial instruments - options	-	-	176,234	176,234
Total liabilities	-	-	833,973	833,973

Refer to note 22 for further information on warrants and options.

The fair value hierarchy of the Group and the Company is the same.

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There were no transfers between Level 1 and Level 2 fair value measurements during the year, and no transfers into or out of Level 3 fair value measurements during the year ended 31 December 2021.

The movement in the fair value, which is primarily due to increased share price and volatility, is recognised in the consolidated profit or loss for the year ended 31 December 2021.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value due to the short-term nature of financial assets and financial liabilities.

Valuation techniques for fair value measurements categorised within level 2 and level 3
Derivative financial instruments in the form of warrants and options have been valued using Black Scholes pricing model.

There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in fair value measurements during the year.

NOTE 27
CONTINUED

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

Description	Unobservable inputs	Range (weighted average)	Sensitivity
Warrants and options	Volatility	57.7% - 77.7%	An increase of 10% would result in the liability increasing to **€250,716** and a decrease of 10% would result in the liability decreasing to **€253,244**, assuming all other factors remain constant.
	Risk free rate	(0.1%) - 1.9%	A 1% increase in the risk free rate would result in an increase in the liability by **€47,072** and a decrease of 1% would result in a decrease in the liability by **€46,969**, assuming all other factors remain constant.
	Underlying price	€0.703 - €0.777	5% increase in the recent transaction price would result in an increase in the liability by **€289,371** and 5% decrease in the recent transaction price would result in a decrease in liability by **€283,852**.

NOTE 28

CONTINGENT LIABILITIES

Neither the Group nor the Company had any contingent liabilities as at 31 December 2021 and 31 December 2020.

NOTE 29

COMMITMENTS

	Consolidated		Company	
	2021 €	**2020 €**	**2021 €**	**2020 €**
*Capital commitments**				
Committed at the reporting date but not recognised as liabilities, payable:				
Property, plant and equipment (satellite and launch)	3,257,007	1,573,433	3,257,007	1,573,433
Contracts for operating satellites equipment	523,261	-	523,261	-

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

NOTE 30

RELATED PARTY TRANSACTIONS

Related party
Magna Parva Limited is a company incorporated in the United Kingdom which owns 14.07% of the CDIs of the Company (2020: 15.67%).

Subsidiaries
Interests in subsidiaries are set out in note 14.

Key management personnel
Disclosures relating to key management personnel are set out in note 31.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated		Company	
	2021 €	**2020 €**	**2021 €**	**2020 €**
Payment for goods and services:				
Payments to subsidiaries	-	-	2,431,856	711,137

NOTE 30
CONTINUED

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

	Consolidated		Company	
	2021 €	2020 €	2021 €	2020 €
Current receivables:				
Receivable from subsidiaries	-	-	26,848	7,567
Current payables:				
Payable to related party	301	301	-	-
Payable to subsidiaries	-	-	119,573	71,839

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

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

NOTE 31

KEY MANAGEMENT PERSONNEL DISCLOSURES

Compensation
The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated		Company	
	2021 €	2020 €	2021 €	2020 €
Short-term employee benefits	1,256,854	635,109	275,349	220,985
Share-based payments	51,843	(374,914)	51,843	(374,914)
	1,308,697	260,195	327,192	(153,929)
Other payments:				
Consultancy and professional fees	90,000	-	90,000	-

NOTE 31
CONTINUED

During the year, nil performance rights (2020: 9,000,000) were exercised and issued as CDIs. A further nil performance rights (2020: 6,000,000) were issued during the year. A total of nil performance rights (2020: 15,500,000) expired during the year when the vesting conditions had not been met by the respective expiry dates. At 31 December 2021 nil performance rights (2020: nil) remained outstanding.

NOTE 32

CASH FLOW INFORMATION

Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated		Company	
	2021 €	2020 €	2021 €	2020 €
Loss after income tax expense for the year	(6,367,810)	(4,868,238)	(6,554,130)	(5,697,558)
Adjustments for:				
Net fair value loss on financial assets	721,536	540,998	721,536	540,998
Share-based payments	132,324	(330,061)	132,324	(330,061)
Foreign exchange differences	(7,405)	(420)	-	-
Depreciation	768,867	43,214	768,867	43,214
Interest on convertible notes	-	746,578	-	746,578
Finance cost - non-cash	182,032	-	182,032	-
Change in operating assets and liabilities:				
Decrease/(increase) in trade receivables and other current assets	(19,580)	313,975	(19,580)	313,975
Decrease/(increase) in prepayments	(452,748)	1,329,404	(452,472)	1,328,660
Decrease/(increase) in other operating assets	(164,060)	119,007	(112,000)	120,970
Increase/(decrease) in trade and other payables	(2,425,572)	(2,232,308)	10,782	(677,170)
Increase in derivative liabilities	2,480,736	833,973	2,480,736	833,973
Increase/(decrease) in other operating liabilities	6,440	(5,509)	1,624	(5,509)
Net cash used in operating activities	(5,145,240)	(3,509,387)	(2,840,281)	(2,781,930)

NOTE 32
CONTINUED

Non-cash investing and financing activities

	Consolidated 2021 €	Consolidated 2020 €	Company 2021 €	Company 2020 €
CDIs issued on acquisition of plant and equipment	183,750	246,100	183,750	246,100
CDIs issued on conversion of performance rights	-	355,181	-	355,181
	183,750	601,281	183,750	601,281

Changes in liabilities arising from financing activities

Consolidated	Winance loan €	Luxembourg Ministry of the Economy €	Convertible notes €	Lease liabilities €	Total €
Balance at 1 January 2020	-	-	1,601,198	36,602	1,637,800
Proceeds from new loan	1,105,346	146,457	-	-	1,251,803
Repayment of leases	-	-	-	(36,602)	(36,602)
Redemption	1,601,198	-	(1,601,198)	-	-
Other changes non-cash	613,099	-	-	-	613,099
Balance at 31 December 2020	3,319,643	146,457	-	-	3,466,100
Net cash used in financing activities	(3,319,643)	-	-	-	(3,319,643)
Acquisition of leases	-	-	-	147,675	147,675
Other changes non-cash	-	-	-	4,963	4,963
Balance at 31 December 2021	-	146,457	-	152,638	299,095

The changes in liabilities arising from financing activities of the Group and the Company are the same.

The Group utilised proceeds of the Winance loan to redeem the Convertible notes and pay finance costs associated with the Convertible notes and the Winance loan.

The 'Other changes non-cash' in 2020 financing activity are proceeds of the Winance loan withheld for the payment of interest on the convertible note, and issuance fees on the Winance loan.

NOTE 33

CDI OPTIONS

Set out below are summaries of options granted to employees and suppliers for goods and services:

2021

Grant date	Expiry date	Exercise price A$	Balance at start of year	Granted	Exercised	Expired / forfeited other	Balance at the end of year
24/8/2018	17/8/2021	0.3000	2,850,000	-	(2,825,000)	(25,000)	-
6/9/2019	6/9/2022	0.4000	950,000	-	-	-	950,000
19/12/2019	19/12/2022	0.4000	475,000	-	-	-	475,000
17/7/2020	17/7/2023	0.5000	5,000,000	-	-	-	5,000,000
17/7/2020	17/7/2030	0.2000	490,000	-	-	(107,000)	383,000
15/9/2021	15/9/2024	1.2000	-	8,901,175	-	-	8,901,175
11/10/2021	11/10/2031	0.2000	-	925,000	-	(50,000)	875,000
			9,765,000	9,826,175	(2,825,000)	(182,000)	16,584,175
Weighted average exercise price (A$)			0.41	1.11	0.30	0.21	0.84

The Company granted 540,000 options on 17 July 2020 and 925,000 options on 11 October 2021 to employees. Except for the options granted to employees, all other options were granted to suppliers.

The terms of the options granted to employees during the year are as follows:

i 65% to vest one year from the grant date; and

ii 35% to vest two years from the grant date.

Options granted to suppliers have no vesting conditions.

2020

Grant date	Expiry date	Exercise price A$	Balance at start of year	Granted	Exercised	Expired / forfeited other	Balance at the end of year
24/8/2018	17/8/2021	0.3000	4,000,000	-	(1,150,000)	-	2,850,000
6/9/2019	6/9/2022	0.4000	2,900,000	-	(1,950,000)	-	950,000
19/12/2019	19/12/2022	0.4000	725,000	-	(250,000)	-	475,000
17/7/2020	17/7/2023	0.5000	-	5,000,000	-	-	5,000,000
17/7/2020	17/7/2030	0.2000	-	540,000	-	(50,000)	490,000
			7,625,000	5,540,000	(3,350,000)	(50,000)	9,765,000
Weighted average exercise price (A$)			0.35	0.47	0.37	0.20	0.41

NOTE 33
CONTINUED

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2021 Number	2020 Number
24/8/2018	17/8/2021	-	2,850,000
6/9/2019	6/9/2022	950,000	950,000
19/12/2019	19/12/2022	475,000	475,000
17/7/2020	17/7/2023	5,000,000	5,000,000
17/7/2020	17/7/2030	253,500	-
15/9/2021	15/9/2024	8,901,175	-
11/10/2021	11/10/2031	32,500	-
		15,612,175	9,275,000

The weighted average remaining contractual life of options outstanding at 31 December 2021 was 2.70 years (2020: 2.14 years).

PERFORMANCE RIGHTS

There were no performance rights issued during the year ended 31 December 2021.

Set out below is the summary of performance rights granted at the end of 31 December 2020.

2020

Grant date	Expiry date	Exercise price	Balance at start of year	Granted	Exercised	Expired / forfeited	Balance at the end of year
29/5/2018	26/3/2019	€0.0000	500,000	-	(500,000)	-	-
29/5/2018	29/11/2019	€0.0000	8,500,000	-	(8,500,000)	-	-
29/5/2018	29/5/2020	€0.0000	9,500,000	-	-	(9,500,000)	-
30/6/2020	30/9/2020	€0.0000	-	5,000,000	-	(5,000,000)	-
30/6/2020	31/12/2020	€0.0000	-	1,000,000	-	(1,000,000)	-
			18,500,000	6,000,000	(9,000,000)	(15,500,000)	-

** The 9,000,000 performance rights that vested in 2019 were exercised and issued as CDIs in 2020.*

VALUATION OF OPTIONS GRANTED

Fair value determined at the grant date is recorded as an expense using the straight-line method over the vesting period and adjusted for the effect of non-market based vesting conditions. Where the fair value calculation requires modelling of the Company's performance against other market indices, fair value is measured using the Black Scholes pricing model to estimate the forecast target performance goal for the

NOTE 33
CONTINUED

Company. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, and behavioural considerations. In addition, the expected annualised volatility has been set by reference to the implied volatility of options available on Kleos Space S.A. CDIs in the open market, as well as historical patterns of volatility.

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	CDI price at grant date A$	Exercise price A$	Expected volatility %	Dividend yield %	Risk-free interest %	Fair value at grant date A$
15/9/2021	15/9/2024	0.805	1.2000	77.04%	-	0.21%	0.32
11/10/2021	11/10/2031	0.740	0.2000	70.40%	-	0.56%	0.60

SHARE-BASED PAYMENTS

	Consolidated		Company	
	2021 €	2020 €	2021 €	2020 €
Options	132,324	44,853	132,324	44,853
Performance rights	-	(374,914)	-	(374,914)
	132,324	(330,061)	132,324	(330,061)

NOTE 34

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting date the Board approved the issuance of 500,000 CDIs to a supplier as payment for services provided in the reporting period.

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Independent Auditor's Report

ERNST & YOUNG

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Ernst & Young
Société anonyme

35E, Avenue John F. Kennedy
L-1855 Luxembourg

Tel: +352 42 124 1

www.ey.com/en_lu

B.P. 780
L-2017 Luxembourg

R.C.S. Luxembourg B 47 771
TVA LU 16063074

Independent auditor's report

To the Shareholders of
Kleos Space S.A.
7, Rue de l'Innovation
L-1896 Kockelscheuer

Report on the audit of the consolidated and company financial statements

Opinion

We have audited the consolidated and company financial statements of Kleos Space S.A. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated and company statement of financial position as at 31 December 2021, and the consolidated and company statement of profit and loss and other comprehensive income, the consolidated and company statement of changes in equity and consolidated and company statement of cash flows for the year then ended, and the notes to the consolidated and company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and company financial statements give a true and fair view of the consolidated and company financial position of the Group and the Company as at 31 December 2021, and of its consolidated and company financial performance and its consolidated and company cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "réviseur d'entreprises agréé" for the audit of the consolidated and company financial statements" section of our report. We are also independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated and company financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Material uncertainty related to going concern

We draw your attention to Note 2 of the financial statements, which indicates the existence of uncertainties of when the Company will commence the generation of revenue and operating cash flows. These events or conditions, along with other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and company financial statements of the current period. These matters were addressed in the context of the audit of the consolidated and company financial statements as whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment of satellites and eligibility of capitalised costs

The Company has satellite equipment and assets under construction for a total value of 3.7MEUR and 5.5 MEUR, respectively. Satellite equipment includes Cluster 1 satellites for 3.7 MEUR (launched in November 2020 and declared operational from July 2021) which include as well capitalised costs. Assets under construction include Cluster 2 satellites amounting to 2.6 MEUR (launched in June 2021, and not yet operational), Cluster 3 satellites amounting 1.6 MEUR (manufactured and scheduled for launch in April 2022) and Cluster 4 satellites amounting to 1.2 MEUR.

As at 31 December 2021, the Cluster 1's testing phase is completed and Cluster 2 is still in its in orbit testing phase. Given the current situation, there is a risk that the asset and assets under constructions may not be able to meet their capability requirements as intended by the management. The valuation of satellites might be impacted by events and unfavourable market developments that may decrease future revenue, as stated in note 16 of the financial statements.

Due to the size of the balance and judgement involved in the capitalization criteria under IAS 16 "Property, plant and equipment" and risk of impairment of satellites in accordance with IAS 36 "Impairment of Assets", we considered this area to be a key audit matter.

How our audit addressed the Key audit matter

Our procedures included amongst others:

- Regarding capitalization, obtaining an understanding of the Company's process for assessing whether prepayments for satellite construction and launch has met all capitalization criteria in accordance with IAS 16 "Property, plant and equipment".
- Reviewing and testing a sample of expenses capitalized during the year in order to assess if the capitalized expenses included costs directly attributable to bringing the satellites to the location and condition necessary for it to be capable of operating in the manner intended by management.
- Management inquiries in relation to the nature of expenses capitalized and management's assessment over the technical feasibility of satellites and ability to generate future economic benefits.

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- Obtaining and reviewing the documentation related to milestone completion of Cluster 3 and 4.
- Regarding impairment, obtained client's financial model, testing assumptions, evaluating the forecasted revenue and costs assumptions of management and benchmarking client's expectations considering significant developments during the forecast period.
- Discussing with Management and the engineering team about any satellite health issues and results of ongoing testing phase of Cluster 2.
- Involving our valuation experts and validating the methodology used to derive the value in use of satellites as well as the key inputs used in the management's impairment test.
- Assessing the adequacy of the disclosure in Note 15 to the consolidated and company financial statements.

Accounting for share based payment schemes

The Company grants equity instruments to employees and suppliers for services rendered. Accounting for share based compensation schemes and share-based payments was a matter of most significance to our audit due to the complexity of the accounting treatment of share-based transactions and the complexity surrounding the valuations, especially the assumptions and estimates made.

How our audit addressed the Key audit matter

Our procedures included amongst others:

- Obtaining minutes of the Board of Directors' Meetings and the plan rules to identify new plans granted during the period. Furthermore, we reviewed the contracts including share-based payments with suppliers.
- Assessing the accounting treatment made by management for each of the share-based payment schemes with employees and with suppliers.
- Testing the mathematical accuracy of the option valuation models. We used our internal valuation experts to assess the valuation models and key inputs. We also tested the fair value of the services rendered by suppliers.
- Assessing the adequacy of the disclosure in Note 33 to the consolidated and company financial statements.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Directors' report but does not include the consolidated and company financial statements and our report of the "réviseur d'entreprises agréé" thereon.

Our opinion on the consolidated and company financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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In connection with our audit of the consolidated and company financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and company financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and of those charged with governance for the consolidated and company financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated and company financial statements in accordance with IFRS as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated and company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and company financial statements, the Board of Directors is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and Company's financial reporting process.

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the consolidated and company financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated and company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF 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 consolidated and company financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and company financial statements, 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 opinion. 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.

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- Obtain an understanding of internal control relevant to the 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 Group's and 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.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of "réviseur d'entreprises agréé" to the related disclosures in the consolidated and company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of report of "réviseur d'entreprises agréé". However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and company financial statements, including the disclosures, and whether the consolidated and company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and company financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on other legal and regulatory requirements

The Directors' report is consistent with the consolidated and company financial statements and has been prepared in accordance with applicable legal requirements.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Olivier Lemaire

Luxembourg, 24 February 2022

KLEOS
office@kleosglobal.com
https://kleos.space

Designed by Cocoon Development Ltd. https://wearecocoon.co.uk. hello@wearecocoon.co.uk