

## 1. Company details

Name of entity:	Kleos Space S.A.
ARBN:	625 668 733
RCS:	B215591
Reporting period:	For the half-year ended 30 June 2020
Previous period:	For the half-year ended 30 June 2019

## 2. Results for announcement to the market

				€
Revenues from ordinary activities	down	100%	to	-
Loss from ordinary activities after tax attributable to the owners of Kleos Space S.A.	up	22.1%	to	(2,210,162)
Loss for the half-year attributable to the owners of Kleos Space S.A.	up	22.1%	to	(2,210,162)

### Dividends

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

### Comments

The loss for the Group after providing for income tax amounted to €2,210,162 (30 June 2019: €1,809,454).

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

## 3. Net tangible assets

	30 Jun 2020 Cents	31 Dec 2019 Cents
Net tangible assets per CHESS Depository Interests ('CDI')	0.82	2.81

## 4. Control gained over entities

Not applicable.

## 5. Loss of control over entities

Not applicable.

## 6. Dividends

### Current period

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

### Previous period

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

## 7. Dividend reinvestment plans

Not applicable.

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## 8. Details of associates and joint venture entities

Not applicable.

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## 9. Foreign entities

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

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

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## 10. Audit qualification or review

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

The interim consolidated financial statements as at and for the half-year ended 30 June 2020 were subject to a review by the auditor and the review report is attached. However, in accordance with applicable accounting standards, the Auditor review report includes the following Material Uncertainty Related to Going Concern paragraph

“We draw your attention to Note 2 of the financial statements with regards to the consequences for the Group of the delay in the satellite launch resulting from COVID-19 virus. The launch date of the satellites is currently unknown which indicates, amongst other matters disclosed in Note 2, that a material uncertainty exists that may cast doubt on the Group’s ability to continue as a going concern. Our conclusion is not modified in respect of this matter.”

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## 11. Attachments

*Details of attachments (if any):*

The Directors' Report, Responsibility Statement, Interim Consolidated Financial Statements as at and for the half-year ended 30 June 2020 and the Report of the Réviseur d'Entreprises Agréé are attached.

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## 12. Signed

As authorised by the Board of Directors

Signed  \_\_\_\_\_

Andrew Bowyer  
Director  
Luxembourg

Date: 30 August 2020

*ajb*

# Kleos Space S.A.

**ARBN 625 668 733 / RCS B215591**

## **Directors' Report, Responsibility Statement, Interim Consolidated Financial Statements as at and for the half-year ended 30 June 2020 and the Report of the Réviseur d'Entreprises Agréé**

### **Principal place of business:**

26, rue des Gaulois  
L-1618 Luxembourg  
Luxembourg

### **Registered office:**

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

### **Capital:**

CHESS Depository Interests – Number of CDIs on issue at reporting date (30 August 2020) 125,927,501

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Directors	Peter Round (Chairman and Executive Director) Andrew Bowyer (Chief Executive Officer and Managing Director) Miles Ashcroft (Chief Technical Officer and Executive Director) David Christie (Non-Executive Director)
Company secretary	Vanessa Chidrawi
Australian postal address	Boardroom Pty Ltd Level 12, 225 George Street Sydney NSW 2000
Australian Registered office	Boardroom Pty Ltd Level 12, 225 George Street Sydney, NSW 2000
Principal place of business	26, rue des Gaulois L-1618 Luxembourg Luxembourg
Share register	Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000 Australia
Auditor	Ernst & Young 35E avenue John F. Kennedy L1855 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	<a href="http://www.kleos.space">www.kleos.space</a>

The directors present their report, together with the interim consolidated financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Kleos Space S.A. (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2020.

### **Directors**

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

Peter Round  
Andrew Bowyer  
Miles Ashcroft  
David Christie

### **Principal activities**

The principal activity of the Group during the financial half-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 ('KSM'), will deliver commercially available data and perform as a technology demonstration. KSM will be the keystone for a later global high capacity constellation. The KSM will deliver targeted daily services with the full constellation delivering near-real-time global observation.

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 half-year.

### **Review of operations**

The loss for the Group after providing for income tax amounted to €2,210,162 (30 June 2019: €1,809,454).

The principal source of income for the Group during the 6 months ended 30 June 2020 continued to be the European Space Agency contract currently recorded as deferred income. The categories of expenditure in the Group for the half-year were the remuneration expenses, development costs, costs of financing and administrative expenses.

During the half-year ended 30 June 2020, the Group was unable to generate revenue from satellite generated data as it had planned. This was due to suspension of activities at the launch site in India as a result of the COVID-19 lock down. Kleos satellites were delivered and Kleos technicians were on location, preparing the satellites for their imminent launch, but all operations were suspended by the Indian authorities. The Kleos launch is on the next PSLV mission (PSLV 49) and will launch as soon as COVID-19 conditions in India permit.

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

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'). Proceeds of €1,857,353 (A\$3,025,000) were used to retire the existing loans outstanding.

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, on satisfying the conditions of the loan agreement.

On 20 May 2020, the Company received a short-term funding facility of €146,457 from the Luxembourg Ministry of the Economy under a Coronavirus support scheme. Repayment terms will be negotiated in 2021.

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

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

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 17 July 2020, the Company issued the following:

- 10,000,001 fully paid ordinary CDIs at A\$0.30 for a total of A\$3,000,000 (€1,835,087);
- 300,000 fully paid ordinary CDIs in respect of consultancy arrangements;
- 9,000,000 fully paid restricted ordinary CDIs upon the conversion of vested restricted performance rights;
- 5,000,000 options with an exercise price of A\$0.50 expiring 3 years from the grant date;
- 540,000 options issued under the Company's long-term incentive plan, with an exercise price of A\$0.20 expiring 10 years from the grant date on the following terms:
  - (i) 65% to vest one year from the grant date; and
  - (ii) 35% to vest two years from the grant date.

On 24 August 2020, 9,500,000 performance rights granted to employees have lapsed as vesting conditions are not met.

No other matter or circumstance has arisen since 30 June 2020 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.

### Auditor

Ernst & Young was appointed as auditor during the half-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



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Andy Bowyer  
Director

30 August 2020  
Luxembourg

We confirm to the best of our knowledge that:

- (1) There are reasonable grounds to believe that the Kleos Space S.A. will be able to pay its debts as and when they become due and payable;
- (2) The interim 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 interim consolidated financial position and interim 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



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Andy Bowyer  
Director

30 August 2020  
Luxembourg

		Consolidated	
	Note	1 Jan 2020 to 30 Jun 2020 €	1 Jan 2019 to 30 Jun 2019 €
<b>Government grants</b>	4	-	-
Change in fair value of derivative financial instruments	13	131,335	-
<b>Expenses</b>			
Operating expenses	5	(513,699)	(520,099)
Employee benefit expenses	6	(834,585)	(1,171,692)
Research and development expenses		(308,164)	(59,501)
Depreciation expense		(30,418)	(30,417)
Other expenses		(14,202)	(10,047)
Finance costs	7	(640,429)	(17,698)
Total expenses		<u>(2,341,497)</u>	<u>(1,809,454)</u>
<b>Loss before income tax expense</b>		(2,210,162)	(1,809,454)
Income tax expense		<u>-</u>	<u>-</u>
<b>Loss after income tax expense for the half-year attributable to the owners of Kleos Space S.A.</b>		(2,210,162)	(1,809,454)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>(661)</u>	<u>6,863</u>
Other comprehensive income for the half-year, net of tax		<u>(661)</u>	<u>6,863</u>
<b>Total comprehensive income for the half-year attributable to the owners of Kleos Space S.A.</b>		<u>(2,210,823)</u>	<u>(1,802,591)</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per CDI	8	(2.07)	(1.70)
Diluted earnings per CDI	8	(2.07)	(1.70)

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

		Consolidated	
	Note	30 Jun 2020 €	31 Dec 2019 €
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	408,213	292,593
Trade and other receivables	10	1,729,096	2,411,346
Total current assets		<u>2,137,309</u>	<u>2,703,939</u>
<b>Non-current assets</b>			
Property, plant and equipment	11	2,438,928	2,442,914
Right-of-use assets		8,811	35,243
Total non-current assets		<u>2,447,739</u>	<u>2,478,157</u>
<b>Total assets</b>		<u>4,585,048</u>	<u>5,182,096</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	12	306,037	344,821
Accrued expenses		103,779	203,412
Deferred income	4	102,795	-
Borrowings	13	3,174,306	1,601,198
Lease liabilities		9,609	36,602
Derivative financial instruments	14	14,688	-
Other current liabilities		-	6,033
Total current liabilities		<u>3,711,214</u>	<u>2,192,066</u>
<b>Total liabilities</b>		<u>3,711,214</u>	<u>2,192,066</u>
<b>Net assets</b>		<u>873,834</u>	<u>2,990,030</u>
<b>Equity</b>			
Contributed equity	15	7,687,994	7,687,994
Reserves	16	803,945	709,979
Accumulated losses		<u>(7,618,105)</u>	<u>(5,407,943)</u>
<b>Total equity</b>		<u>873,834</u>	<u>2,990,030</u>

<b>Consolidated</b>	<b>Contributed equity</b> €	<b>Reserves</b> €	<b>Accumulated losses</b> €	<b>Total equity</b> €
Balance at 1 January 2019	7,687,994	459,012	(2,385,398)	5,761,608
Adjustment for adoption of IFRS 16	-	-	4,925	4,925
Balance at 1 January 2019 - restated	7,687,994	459,012	(2,380,473)	5,766,533
Loss after income tax expense for the half-year	-	-	(1,809,454)	(1,809,454)
Other comprehensive income for the half-year, net of tax	-	6,863	-	6,863
Total comprehensive income for the half-year	-	6,863	(1,809,454)	(1,802,591)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 22)	-	377,394	-	377,394
Balance at 30 June 2019	<u>7,687,994</u>	<u>843,269</u>	<u>(4,189,927)</u>	<u>4,341,336</u>

<b>Consolidated</b>	<b>Contributed equity</b> €	<b>Reserves</b> €	<b>Accumulated losses</b> €	<b>Total equity</b> €
Balance at 1 January 2020	7,687,994	709,979	(5,407,943)	2,990,030
Loss after income tax expense for the half-year	-	-	(2,210,162)	(2,210,162)
Other comprehensive income for the half-year, net of tax	-	(661)	-	(661)
Total comprehensive income for the half-year	-	(661)	(2,210,162)	(2,210,823)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 22)	-	75,257	-	75,257
Reversal of reserve on extinguishment of convertible notes	-	19,370	-	19,370
Balance at 30 June 2020	<u>7,687,994</u>	<u>803,945</u>	<u>(7,618,105)</u>	<u>873,834</u>

	<b>Consolidated</b>	
	<b>1 Jan 2020 to 30 Jun 2020 €</b>	<b>1 Jan 2019 to 30 Jun 2019 €</b>
<b>Cash flows from operating activities</b>		
Receipts from government grants	490,195	391,600
Payments to suppliers and employees	(1,381,626)	(2,583,775)
Interest paid	(212,447)	(17,698)
	<u>(1,103,878)</u>	<u>(2,209,873)</u>
Net cash used in operating activities		
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	-	(300,000)
	<u>-</u>	<u>(300,000)</u>
Net cash used in investing activities		
<b>Cash flows from financing activities</b>		
Net proceeds from borrowings - Winance	1,105,346	-
Proceeds from borrowings - Luxembourg Ministry of the Economy	146,457	-
Repayment of lease liabilities	(26,993)	(22,136)
	<u>1,224,810</u>	<u>(22,136)</u>
Net cash from/(used in) from financing activities		
Net increase/(decrease) in cash and cash equivalents	120,932	(2,532,009)
Cash and cash equivalents at the beginning of the financial half-year	292,593	4,263,626
Effects of exchange rate changes on cash and cash equivalents	(5,312)	-
	<u>408,213</u>	<u>1,731,617</u>
Cash and cash equivalents at the end of the financial half-year		

## Note 1. General information

The interim consolidated financial statements of Kleos Space S.A. (referred to as the 'Company' or 'parent entity') and its subsidiaries (collectively the 'Group' for the 6 months ended 30 June 2020) were authorised for issue in accordance with a resolution of the directors on 30 August 2020. The interim consolidated 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:

<b>Registered office</b>	<b>Principal place of business</b>
Boardroom Pty Ltd Level 12, 225 George Street Sydney, NSW 2000	26, rue des Gaulois L-1618, Luxembourg Luxembourg

The principal activity of the Group during the 6 months ended 30 June 2020 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 ('KSM'), will deliver commercially available data and perform as a technology demonstration. KSM will be the keystone for a later global high capacity constellation. The KSM will deliver targeted daily services with the full constellation delivering near-real-time global observation.

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.

## Note 2. Significant accounting policies and changes to the accounting policies

These general purpose interim consolidated financial statements for the interim half-year reporting period ended 30 June 2020 have been prepared in accordance with IAS 34 'Interim Financial Reporting' of International Financial Reporting Standards as adopted by the European Union (IFRS) and in effect as at 30 June 2020.

These interim consolidated financial statements do not include all information and disclosures required in the annual consolidated financial statements. Accordingly, these interim consolidated financial statements are to be read in conjunction with the Company's consolidated financial statements for the year ended 31 December 2019.

The principal accounting policies adopted in preparation of interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019 except for the adoption of new standards effective as of 1 January 2020 and those stated below:

### Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date, with the movement recognised in profit or loss.

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

### New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IASB') that are mandatory for the current reporting period and have been endorsed in the European Union.

The Group has not early adopted any standard, amendment or interpretation that has been issued but is not yet effective.

## Note 2. Significant accounting policies (continued)

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group.

### Going concern

These interim consolidated 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 half-year ended 30 June 2020, the Group incurred a net loss of €2,210,162 (30 June 2019: net loss of €1,809,454). As at 30 June 2020, the Group has net current liabilities of €1,573,905 (31 December 2019: net current assets €511,873) including cash and cash equivalents of €408,213 (31 December 2019: €292,593).

In addition, the Group has incurred significant losses and has to raise additional financing to fund its operating and capital expenses. In order to manage its liquidity the Group has undertaken the following initiatives:

- issued 10,000,001 fully paid ordinary CDIs at A\$0.30 for a total of A\$3,000,000 (€1,835,087); which has been raised in July 2020;
- developed the satellites to launch in 2020 to deliver a revenue stream commencing in 2020;
- developed additional funding routes to ensure the required funding to achieve operations;
- channel partner agreements have been signed to generate revenue post-launch of KSM;
- undertaken a programme to continue to monitor the Group's ongoing working capital requirements in line with Board approved budgets; and
- continued its focus on maintaining an appropriate level of corporate overheads in line with the Group's available cash resources and Board approved budgets.

While the Group has developed plans in order to raise additional funds, there is no certainty that it will be able to execute such plans, which creates a material uncertainty on the ability of the Group to continue as a going concern.

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 has namely caused significant delays in the launch of the Company's first satellites and is therefore delaying the generation of revenue. While the launch was planned earlier on in 2020, it has not yet taken place and management has no certainty on when it will take place. This situation has put additional constraints on the liquidity of the Group.

In addition, in accordance with article 480-2 (formerly article 100) of the Luxembourg Company Law of August 10, 1915, as subsequently amended and because accumulated losses exceed half of the share capital as at December 31, 2019, the Board of Directors must convene a shareholders' meeting to decide upon the continuation of the Company.

## Note 2. Significant accounting policies (continued)

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.

### *Financial risk management objectives*

The Group's activities expose it to minimal 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.

### *Foreign currency risk*

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

### *Price risk*

The Group is not exposed to any significant price risk.

### *Interest rate risk*

At the reporting date, the Group had no variable rate borrowings

## Note 3. Operating segments

### *Identification of reportable operating segments*

The Group operates in one segment (Research and Development - technology), 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.

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

## Note 4. 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. 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 €nil (30 June 2019: €nil) income from government grants in line with expenditure incurred during the half-year ended 30 June 2020 and deferred income of €102,795 at 30 June 2020 (30 June 2019 €nil).

#### Note 5. Operating expenses

	Consolidated	
	1 Jan 2020 to 30 Jun 2020 €	1 Jan 2019 to 30 Jun 2019 €
Administration expenses	67,098	145,304
Consulting and professional fees	406,458	271,091
Occupancy expenses	-	581
Travel expenses	40,143	103,123
	513,699	520,099

#### Note 6. Employee benefit expenses

	Consolidated	
	1 Jan 2020 to 30 Jun 2020 €	1 Jan 2019 to 30 Jun 2019 €
Salaries and benefits	759,328	794,298
Share-based payments	75,257	377,394
	834,585	1,171,692

#### Note 7. Expenses

	Consolidated	
	1 Jan 2020 to 30 Jun 2020 €	1 Jan 2019 to 30 Jun 2019 €
Loss before income tax includes the following specific expenses:		
<i>Finance costs</i>		
Interest and finance charges	5,267	9,897
Interest and finance charges paid/payable on lease liabilities	2,557	7,414
Interest on convertible notes	216,770	-
Interest on trade payables	-	387
Interest on amount payable to Ministry of the Economy	83	-
Interest on Winance loan	415,752	-
	640,429	17,698
<i>Net foreign exchange (gain)/loss (included in other expenses)</i>		
Net foreign exchange (gain)/loss	(17,484)	10,343
<i>Leases</i>		
Minimum lease payments	9,850	-

## Note 8. Earnings per CDI

	Consolidated	
	1 Jan 2020 to 30 Jun 2020 €	1 Jan 2019 to 30 Jun 2019 €
Loss after income tax attributable to the owners of Kleos Space S.A.	<u>(2,210,162)</u>	<u>(1,809,454)</u>
	Number	Number
Weighted average number of ordinary CDIs used in calculating basic earnings per CDI	<u>106,627,500</u>	<u>106,627,500</u>
Weighted average number of ordinary CDIs used in calculating diluted earnings per CDI	<u>106,627,500</u>	<u>106,627,500</u>
	Cents	Cents
Basic earnings per CDI	(2.07)	(1.70)
Diluted earnings per CDI	(2.07)	(1.70)

At 30 June 2020, 24,500,000 (30 June 2019: 29,500,000) performance rights, 7,625,000 (30 June 2019: 4,000,000) options over CDIs and 8,604,506 warrants (30 June 2019: none) 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 9. Current assets - cash and cash equivalents

	Consolidated	
	30 Jun 2020 €	31 Dec 2019 €
Cash on hand	39	45
Cash at bank	408,174	277,783
Cash on deposit	-	14,765
	<u>408,213</u>	<u>292,593</u>

The cash and cash equivalents disclosed above and in the statement of cash flows include cash on deposit €nil (31 December 2019: €14,765) which represents deposits held by various landlords. These deposits are not available to the Group for general use.

## Note 10. Current assets - trade and other receivables

	Consolidated	
	30 Jun 2020 €	31 Dec 2019 €
Trade receivables	-	387,400
Prepayments	1,601,688	1,786,346
Net VAT refundable	127,408	237,600
	<u>1,729,096</u>	<u>2,411,346</u>

Prepayments represents payments to Spaceflight in relation to the launch of the Satellite and also includes other prepayments for insurance and engineering services.

**Note 11. Non-current assets - property, plant and equipment**

	<b>Consolidated</b>	
	<b>30 Jun 2020</b>	<b>31 Dec 2019</b>
	€	€
Computer equipment - at cost	5,149	5,149
Less: Accumulated depreciation	<u>(3,552)</u>	<u>(2,917)</u>
	<u>1,597</u>	<u>2,232</u>
Tools and equipment - at cost	67,245	67,245
Less: Accumulated depreciation	<u>(14,348)</u>	<u>(11,032)</u>
	<u>52,897</u>	<u>56,213</u>
Furniture - at cost	350	350
Less: Accumulated depreciation	<u>(156)</u>	<u>(121)</u>
	<u>194</u>	<u>229</u>
Satellite equipment (construction-in-progress)	<u>2,384,240</u>	<u>2,384,240</u>
	<u><u>2,438,928</u></u>	<u><u>2,442,914</u></u>

*Reconciliations*

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

<b>Consolidated</b>	<b>Computer equipment €</b>	<b>Tools and equipment €</b>	<b>Furniture €</b>	<b>Satellite equipment (construct- ion-in- progress) €</b>	<b>Total €</b>
Balance at 1 January 2020	2,232	56,213	229	2,384,240	2,442,914
Depreciation expense	<u>(635)</u>	<u>(3,316)</u>	<u>(35)</u>	<u>-</u>	<u>(3,986)</u>
Balance at 30 June 2020	<u><u>1,597</u></u>	<u><u>52,897</u></u>	<u><u>194</u></u>	<u><u>2,384,240</u></u>	<u><u>2,438,928</u></u>

**Note 12. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>30 Jun 2020</b>	<b>31 Dec 2019</b>
	€	€
Trade payables	305,736	344,520
Payable to related party	<u>301</u>	<u>301</u>
	<u><u>306,037</u></u>	<u><u>344,821</u></u>

Trade payables represents amounts due for operating expenses.

### Note 13. Current liabilities - borrowings

	<b>Consolidated</b>	
	<b>30 Jun 2020</b>	<b>31 Dec 2019</b>
	€	€
Winance loan	3,027,827	-
Payable to the Luxembourg Ministry of the Economy	146,479	-
Convertible notes payable	-	1,601,198
	<u>3,174,306</u>	<u>1,601,198</u>

#### *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 may 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.

Interest is 1.5% per month, payable monthly. Alternatively, the Company may elect to issue CDIs in payment of the interest, in which case the interest rate will be 2.0% per month. The Company has not issued any CDIs during the period ended 30 June 2020, in settlement of interest payable.

#### *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 consideration for the provision of financial accommodation received under the Winance loan. The warrants have been accounted for as derivative liabilities. The fair value at grant date was €136,325 representing the total number of warrants of the contract being 8,604,506, with subsequent remeasurement of fair value through income statement. The fair value of the warrants as of 30 June 2020 amounts to €14,688.

The initial fair value of the warrants has been accounted for in deduction of the Winance loan and is amortised over the loan period, using the effective interest rate method.

#### *Payable to 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. Repayment terms will be negotiated in 2021.

#### *Convertible notes*

The Company redeemed the convertible notes on 27 February 2020.

### Note 14. Current liabilities - derivative financial instruments

	<b>Consolidated</b>	
	<b>30 Jun 2020</b>	<b>31 Dec 2019</b>
	€	€
Derivative financial instruments - warrants	<u>14,688</u>	<u>-</u>

Refer to note 18 for further information on fair value measurement.

Refer to note 13 for further information on warrants.

### Note 15. Equity - contributed equity

	Consolidated		Consolidated	
	30 Jun 2020 CDIs	31 Dec 2019 CDIs	30 Jun 2020 €	31 Dec 2019 €
CHESS Depository Interests - fully paid	<u>106,627,500</u>	<u>106,627,500</u>	<u>7,687,994</u>	<u>7,687,994</u>

#### 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 shareholders 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 shareholders, return capital to shareholders, 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 2019 Annual Report.

### Note 16. Equity - reserves

	Consolidated	
	30 Jun 2020 €	31 Dec 2019 €
Foreign currency reserve	(1,408)	(747)
Share-based payments reserve	805,353	730,096
Other reserve	-	(19,370)
	<u>803,945</u>	<u>709,979</u>

#### 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.

#### Other reserve

The reserve is the value of the conversion rights relating to the convertible notes (note 13) which has been reversed upon extinguishment of the convertible notes.

### Note 16. Equity - reserves (continued)

#### Movements in reserves

Movements in each class of reserve during the current financial half-year are set out below:

Consolidated	Foreign currency €	Share-based payments €	Other €	Total €
Balance at 1 January 2020	(747)	730,096	(19,370)	709,979
Foreign currency translation	(661)	-	-	(661)
Share-based payments	-	75,257	-	75,257
Reversal of reserve on extinguishment of convertible notes	-	-	19,370	19,370
Balance at 30 June 2020	<u>(1,408)</u>	<u>805,353</u>	<u>-</u>	<u>803,945</u>

### Note 17. Equity - dividends

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

### Note 18. Fair value measurement

#### Fair value hierarchy

The following tables detail the Group'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

For the warrants the valuation is based on a binominal-tree model.

Consolidated - 30 Jun 2020	Level 1 €	Level 2 €	Level 3 €	Total €
<i>Liabilities</i>				
Derivative financial instruments - warrants	-	14,688	-	14,688
Total liabilities	-	14,688	-	14,688

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the six months ended 30 June 2020.

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

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

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

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

### Note 19. Contingent liabilities

The Group had no contingent liabilities as at 30 June 2020 and 31 December 2019.

### Note 20. Commitments

	<b>Consolidated</b>	
	<b>30 Jun 2020</b>	<b>31 Dec 2019</b>
	€	€
<i>Capital commitments*</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment (satellite and launch)	295,900	295,900

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

### Note 21. Related party transactions

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

#### *Transactions with related parties*

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

#### *Receivable from and payable to related parties*

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

	<b>Consolidated</b>	
	<b>30 Jun 2020</b>	<b>31 Dec 2019</b>
	€	€
Current payables:		
Payable to immediate parent entity	301	301

#### *Loans to/from related parties*

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

### Note 22. Share-based payments

During the 6 months ended 30 June 2020, 6,000,000 additional performance rights were granted to employees under the Long Term Incentive Plan ('LTIP'). The exercise price of the performance rights is €nil on the date of grant. The performance rights vest if the vesting conditions are met before the expiry of the vesting period. If the vesting conditions are not met, the performance rights lapse. The fair value at grant date is estimated using a Monte Carlo option pricing model, taking into account the terms and conditions upon which the performance rights were granted. The contractual life of each performance right granted during the period varies from 3 months to 6 months. There is no cash settlement of the performance rights. As of 30 June 2020, there are 24,500,000 performance rights issued, of which 9,000,000 have vested. The total share-based payment expense for the 6 months ended 30 June 2020 amounts to €75,257.

### Note 23. Events after the reporting period

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 17 July 2020, the Company issued:

- 10,000,001 fully paid ordinary CDIs at A\$0.30 for a total of A\$3,000,000 (€1,835,087);
- 300,000 fully paid ordinary CDIs in respect of consultancy arrangements;
- 9,000,000 fully paid restricted ordinary CDIs upon the conversion of vested restricted performance rights;
- 5,000,000 options with an exercise price of A\$0.50 expiring 3 years from the grant date; and
- 540,000 options issued under the Company's long-term incentive plan, with an exercise price of A\$0.20 expiring 10 years from the grant date on the following terms:
  - (i) 65% to vest one year from the grant date; and
  - (ii) 35% to vest two years from the grant date.

On 24 August 2020, 9,500,000 performance rights granted to employees have lapsed as vesting conditions are not met.

No other matter or circumstance has arisen since 30 June 2020 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.

## Report of the Réviseur d'Entreprises Agréé



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## **Report on review of interim condensed consolidated financial statements**

To the Shareholders of  
Kleos Space S.A.  
26, rue des Gaulois  
L-1618 Luxembourg

### *Introduction*

We have reviewed the accompanying interim condensed consolidated financial statements of Kleos Space S.A. (the “Group”) as of 30 June 2020, which comprise the interim consolidated statement of financial position as at 30 June 2020, the interim consolidated statement of comprehensive income, the interim consolidated statement of changes in equity, the interim consolidated cash flow statement for the six-month period then ended and explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as adopted by the European Union (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### *Scope of Review*

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



### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

### *Material Uncertainty Related to Going Concern*

We draw your attention to Note 2 of the financial statements with regards to the consequences for the Group of the delay in the satellite launch resulting from COVID-19 virus. The launch date of the satellites is currently unknown which indicates, amongst other matters disclosed in Note 2, that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Ernst & Young  
Société anonyme  
Cabinet de révision agréé

A handwritten signature in black ink, appearing to read 'Olivier Lemaire', written in a cursive style.

Olivier Lemaire

Luxembourg, 30 August 2020