



AAC
CLYDE
SPACE



AAC Clyde Space AB (publ)

YEAR-END REPORT 2019

Fourth quarter, October–December 2019 (compared with October–December 2018)

- Net sales amounted to SEK 20.6 M (29.0 including royalty of 4.1)
- Earnings before interest, tax, depreciation and amortisation (EBITDA) totalled SEK -5.2 M (3.4)
- Earnings before interest and tax (EBIT) totalled SEK -8.4 M (0.3)
- The loss after tax was SEK -8.4 M (0.4)
- Basic and diluted earnings per share amounted to SEK -0.09 (0.1)
- Cash flow from operating activities totalled SEK -0.6 M (-4.0)
- The order backlog increased to SEK 169 M (SEK 67.1) at year end

Full-year 2019 (compared with full-year 2018)

- Net sales amounted to SEK 66.4 M (77.9)
- EBITDA totalled SEK -27.3 M (-28.5)
- EBIT totalled SEK -40.2 M (-43.3)
- The loss after tax was SEK -40.6 M (-42.7)
- Basic and diluted earnings per share amounted to SEK -0.48 (-0.65)
- Cash flow from operating activities totalled SEK -16.6 M (-48.6)
- In June, the oversubscribed rights issue raised funds of SEK 82.5 M for the company before issue expenses

Information on significant events during the fourth quarter of 2019

- In November, the Parent Company ÅAC Microtec AB changed its name to AAC Clyde Space AB. The name change secures the values incorporated into the Group in conjunction with the merger with Clyde Space Ltd in 2018
- Iraklis Hatzithanasiou stepped down from his position as VP Business Development. Until further notice, CEO Luis Gomes is acting VP Business Development
- An agreement was signed for the delivery of subsystems for SEK 11.3 M to one of Europe's leading small satellite manufacturers
- The US Air Force Academy placed a SEK 6.4 M order for subsystems

Significant events after the end of the reporting period

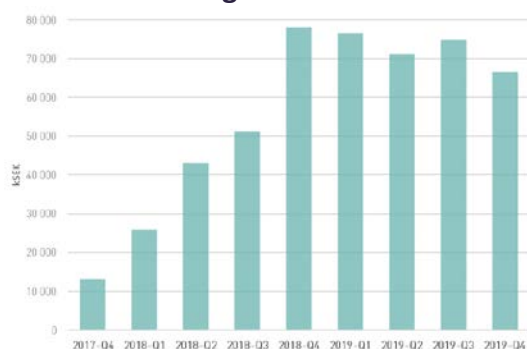
- NSLComm placed a SEK 15 M order for another 6U satellite together with associated services. AAC Clyde Space was also appointed a preferred supplier for NSLComm's planned constellation
- Intuitive Machines ordered power systems with an order value of SEK 5.4 M for a lunar lander mission
- AAC Clyde Space appointed John Charlick COO and Ross Lang UK Head of Finance to the executive management team

Financial overview — Group*

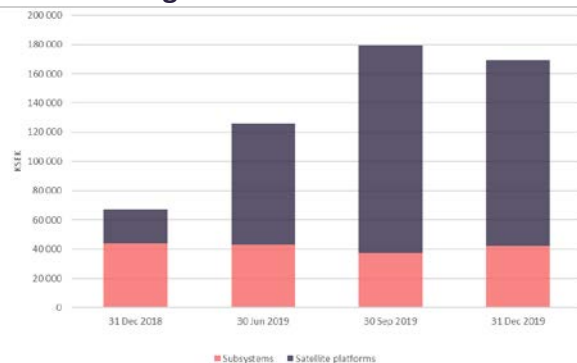
kSEK	Oct-Dec 2019	Oct-Dec 2018	Full-year 2019	Full-year 2018
EBITDA	-5 217	3 452	-27 297	-28 481
EBIT	-8 381	291	-40 191	-43 265
Loss after tax	-8 372	455	-40 562	-42 681
Basic and diluted earnings per share, SEK	-0,09	0,01	-0,48	-0,65
Equity/assets ratio, %	85%	91%	85%	91%
Cash flow from operating activities	-566	-4 015	-16 584	-48 610
Cash flow for the period	-7 180	-8 508	40 063	-24 986
Cash and cash equivalents	52 380	12 237	52 380	12 237

* Key performance indicators for 2019 were impacted by the implementation of IFRS 16 *Leases*. The comparative figures for 2018 have not been restated. Refer to Note 7 for information about the effects of the implementation of IFRS 16.

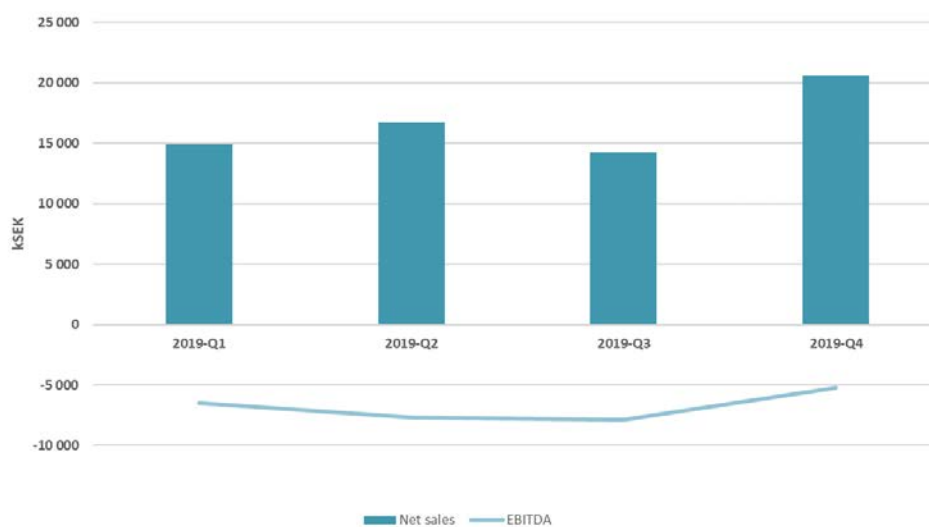
Net sales – Rolling 12 months



Order backlog



Net sales and EBITDA 2019





Comments from the CEO

2019 culminated with AAC Clyde Space hitting a new record for our order intake with new important commercial contracts, started new ambitious projects, carried out a successful rights issue and launched several key missions. We unfortunately also faced headwinds with programmatic problems particularly in two satellite projects. These problems have weighed on both revenues and earnings primarily in the second half of the year. Both projects were delivered to clients in January 2020, freeing up resources to move forward.

This was the year when we saw a marked increase in the interest in nanosatellites as operational satellites rather than just technology demonstrators. This transition, that we are seeing in a variety of applications, is best illustrated by the contracts signed with Orbcomm and Eutelsat, two of the world leading satellite operators. As well as showing an evolution of the market, these contracts demonstrate the trust that established commercial satellite operators have in AAC Clyde Space to deliver operational missions. These contracts helped us to have our best ever order book – SEK 169 million at the end of December 2019, an increase of more than 150% from a year before.

The positive trends in our business extended to our subsystems business, that in 2019 reached new milestones, in particular the Sirius range of on-board data handling solutions that became a solid performer in the 100kg satellite class, hitting the 50 units sold. Our subsystems were successful in some of the world's most established space markets (Europe, US and Japan), as well as developing space markets, showing the continued trust in our quality and performance.

We have had a good start of 2020 with two more important contract wins for the company: our Starbuck power solutions are going to the Moon in a couple years' time as part of the Intuitive Machine's Lunar lander; and we will make another EPIC satellite for NSLComm, continuing our close collaboration with the most exciting new space company in the world of broadband communications. These extend our order backlog to SEK 187 million at the end of January 2020.

Throughout 2020 we will continue to work to make our processes more robust, ensure that our teams appropriately staffed and that we are delivering the best solutions for small satellites. We will continue to bring in new recruits to bolster our ability to deliver and increase our technical skills. And we have taken measures to reduce lead-times and to meet new demands for shorter delivery times.

We are developing exciting new products and technologies that will meet the requests from our current and future customers; we will expand the range of sizes of our platforms, increase their capabilities with more power, better downlink capabilities and new payload solutions. The avionics we are developing will be optimised for mass production, offering standard, easy to use and configure satellite designs, slashing the need for expensive non-recurring engineering.

2020 will be a year where we will give special attention to the environment and the management of our climate. Space offers the possibility to perform global scale measurements, allowing for global, informed decisions to be

taken by governments and international bodies. AAC Clyde Space has developed over the last two years several missions to monitor the Earth's environment, and we will build upon those to offer comprehensive, low cost solutions to support environment needs.

Our ambition to transfer the listing of the company's shares to the main market remains. A readiness assessment has been performed by an external consultant with a list of actions as a result, that will be implemented over time. And our acquisition strategy remains the same: we continue to look for strong companies that will add value to AAC Clyde Space, either through their business or through their technology and products.

We now have a solid plan for how to put the company on a path to growth and profitability. We expect a strong growth in 2020 and to be EBITDA and operating cash flow positive in 2021. For 2020 we have already a contracted revenue of SEK 88 million (more than the revenue of 2019) and expect to add more. In January we have shipped two satellites for launch and as we wait for the results from those, we are working full time on the new projects and R&D plans. This will be a year of change and growth.

Luis Gomes
CEO

FINANCIAL OVERVIEW

Fourth quarter 2019

Sales and earnings

Net sales declined during the period to SEK 20.6 M (29.0). This was mainly due to considerable resources being invested in solving issues pertaining primarily to two satellite projects, which were delivered at the start of 2020. Fourth quarter 2018 also included a royalty income of SEK 4.1 M. The collaboration with York Space Systems reached a milestone at the end of 2018 that triggered this minimum royalty. Total revenue amounted to SEK 24.0 M (34.4) and EBITDA totalled SEK -5.2 M (3.4).

EBIT was SEK -8.4 M (0.3). The Group applies IFRS 16 Leases as of 1 January 2019; refer to Note 7. EBITDA increased SEK 0.8 M and EBIT increased SEK 0.0 M as a result of introducing IFRS 16 Leases. In accordance with the transition rules for IFRS 16, the modified retrospective approach is applied and the comparative figures have therefore not been restated.

Loss after tax totalled SEK -8.4 M (0.4).

Full-year 2019

Sales and earnings

Net sales amounted to SEK 66.4 M (77.9) and EBITDA totalled SEK -27.3 M (-28.5).

EBIT was SEK -40.2 M (-43.3). EBITDA increased SEK 3.6 M and EBIT increased SEK 0.5 M as a result of the introduction of IFRS 16 Leases from 1 January 2019. In accordance with the transition rules for IFRS 16, the modified retrospective approach is applied and the comparative figures have therefore not been restated.

Loss after tax totalled SEK -40.6 M (-42.7).

Investments and financial position

The Group's investments in non-current assets, excluding the 2018 acquisition of Clyde Space, totalled SEK 13.0 M (2.3), of which intangible assets were SEK 10.9 M (1.5). Investment in intangible assets mainly comprised development expenses related to the ORBCOMM project. Available cash and cash equivalents as of 31 December 2019 totalled SEK 52.4 M (12.2) and an unutilised bank overdraft facility of SEK 5 M.

Cash flow from operating activities in 2019 totalled SEK -16.6 M (-48.6) after working capital decreased SEK 12.4 M (-19.8). The decrease in working capital was due to large payments from customers (advances and deliveries). Cash flow from the preceding period included acquisition costs of SEK 8.8 M. In June, the oversubscribed rights issue raised funds of SEK 82.5 M for the company before issue expenses.

Inventory increased to SEK 13.1 M (6.4) as a result of stockpiling standard products and ongoing product deliveries. Accounts receivable rose to SEK 17.7 M (10.1), mainly due to invoicing of milestones for ongoing projects and to product deliveries. Current liabilities increased to SEK 53.6 M (24.6), principally due to prepayments from customers and unearned revenue.

The equity/assets ratio amounted to 85% (91). Since 1 January 2019, the new reporting standard IFRS 16 Leases has been applied, which has resulted in an increase of SEK 13.9 M in total assets. The Group's equity/assets ratio, excluding IFRS 16, was 88%.

Personnel and organisation

There were 95 employees (85) at the end of the period.

Parent Company

Parent Company net sales for the year totalled SEK 28.3 M (38.1), and the loss after tax was SEK -18.2 M (-107.1). Investments in non-current assets totalled SEK 0.6 M (387), where the preceding period included the acquisition of Clyde Space for SEK 385 M, comprised of a share issue of SEK 354 M, cash of SEK 22.4 M and acquisition costs of SEK 8.8 M. The equity/assets ratio amounted to 97% (97).

In the third quarter, AAC Clyde Space AB distributed a shareholders' contribution of SEK 28.3 M to the subsidiary Clyde Space Ltd. The shareholders' contribution was executed through the conversion of non-current receivables and accounts receivable.

Dividend

The Board of Directors proposes to the Annual General Meeting that no dividend should be distributed for the 2019 financial year.

Annual General Meeting

The Annual General Meeting will be held on 2 June 2019 at 1:00 p.m. (CET) at hotel Villa Anna, Odinslund 3, Uppsala, Sweden.

The share

Since 21 December 2016, AAC Clyde Space's share has been traded on Nasdaq First North Stockholm, under the symbol AAC. In March 2019, the listing was moved to Nasdaq First North Premier Growth Market.

As of 31 December 2019, 96,207,759 shares had been issued at a quotient value of SEK 0.04 per share. All shares carry equal rights to the company's profits and assets. On 31 December, the number of shareholders totalled 5,976. A table with the largest shareholders is shown on page 14 in this report.

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

Related-party transactions

During the period, Board members have invoiced the company under market conditions for the performance of consultant services linked to the company's operations. The services were performed primarily by the Chairman of the Board, refer to Note 6.

Significant events after the end of the reporting period

The Israeli firm NSLComm placed an order for one 6U satellite and services with a total order value of about SEK 15 M (GBP 1.2 M). NSLComm has also appointed AAC Clyde Space as a preferred supplier in its planned satellite constellation. AAC Clyde Space will manufacture, launch, commission and operate the satellite as well as deliver a ground segment software solution. The satellite is planned to launch in the third quarter of 2021.

AAC Clyde Space has been selected to supply the power system to the lunar lander mission led by the U.S. company Intuitive Machines. An engineering model and flight models will be delivered to support the launch in 2021. The total order value is around SEK 5.4 M (USD 575,000).

AAC Clyde Space appointed John Charlick COO and Ross Lang UK Head of Finance to the executive management team. Accordingly, the management team consists of Luis Gomes, CEO and acting Vice President Business Development; Mats Thideman, CFO and deputy CEO; Craig Clark, Chief Strategy Officer; Andrew Strain, Chief Technology Officer; John Charlick, Chief Operating Officer and Ross Lang, UK Head of Finance. A new structure for how the team operates has also been implemented in order to support the company's growing operations.

Significant risks and uncertainties

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

COMING REPORTS

Annual Report 2019	5 May 2020
Interim Report Jan–Mar 2020	28 May 2020
Annual General Meeting 2020	2 Jun 2020
Interim Report Jan–Jun 2020	27 Aug 2020
Interim Report Jan–Sep 2020	26 Nov 2020

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

Certification

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

Glasgow, 20 February 2020

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

This report has not been audited.

Questions may be directed to:

CEO Luis Gomes, investor@aac-clydespace.com

CFO Mats Thideman, investor@aac-clydespace.com, mobile +46 (0)70-556 09 73

About AAC Clyde Space

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

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

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

FINANCIAL STATEMENTS

Condensed consolidated statement of comprehensive income

kSEK	Oct-Dec 2019	Oct-Dec 2018	Full-year 2019	Full-year 2018
Net sales	20 579	28 950	66 435	77 888
Work performed by the Company for its own use and capitalised	839	45	2 975	1 481
Other operating income	2 567	5 454	11 172	9 802
TOTAL	23 985	34 449	80 582	89 171
Raw materials and subcontractors	-7 523	-10 773	-27 442	-30 961
Personnel costs	-13 970	-13 425	-51 791	-53 203
Other external expenses	-6 118	-6 135	-23 653	-22 825
Other operating expenses	-1 591	-664	-4 993	-10 663
EBITDA	-5 217	3 452	-27 297	-28 481
Depreciation/amortisation and impairment of tangible and intangible assets	-3 164	-3 161	-12 894	-14 784
EBIT	-8 381	291	-40 191	-43 265
Financial income	29	7	103	87
Financial expenses	-198	-97	-947	-427
Net financial items	-169	-90	-844	-340
Income tax	178	254	473	924
PROFIT/LOSS FOR THE PERIOD	-8 372	455	-40 562	-42 681
Other comprehensive income: <i>Items that may be transferred to profit or loss</i>				
Exchange-rate differences	3 646	-6 475	21 345	6 870
Other comprehensive income for the period	3 646	-6 475	21 345	6 870
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-4 726	-6 020	-19 217	-35 811

Earnings per share, based on profit for the period attributable to Parent Company shareholders

SEK	Oct-Dec 2019	Oct-Dec 2018	Full-year 2019	Full-year 2018
Average no. of shares – basic	96 207 759	68 719 829	84 754 455	65 636 012
Number of shares at end of period	96 207 759	68 719 829	96 207 759	68 719 829
Average no. of shares – diluted	96 265 270	68 719 826	96 207 759	65 916 894
Basic and diluted earnings per share	-0,09	0,01	-0,48	-0,65

Condensed consolidated statement of financial position

kSEK	31 Dec 2019	31 Dec 2018
ASSETS		
Non-current assets		
Intangible assets	418 646	392 596
Tangible assets*	18 262	4 208
Total non-current assets	436 908	396 804
Current assets		
Inventory	13 108	6 457
Accounts receivable	17 743	10 138
Other receivables	25 247	27 327
Cash and cash equivalents	52 380	12 237
Total current assets	108 478	56 159
TOTAL ASSETS	545 386	452 963
EQUITY AND LIABILITIES		
Equity attributable to Parent Company shareholders	466 095	412 056
Non-current liabilities		
Liabilities to credit institutions	771	1 194
Other non-current liabilities	11 253	–
Deferred tax liabilities	3 911	4 083
Total non-current liabilities	15 935	5 277
Current liabilities		
Accounts payable	9 763	11 061
Other liabilities**	53 593	24 569
Other current liabilities	63 356	35 630
TOTAL EQUITY AND LIABILITIES	545 386	452 963

* Of which right-of-use assets kSEK 14,153 (31 Dec 2019)

** Of which lease liability kSEK 2,876 (31 Dec 2019)

Condensed consolidated statement of changes in equity

kSEK	Share capital	Ongoing new share issue	Other contributed capital	Reserves	Retained earnings	Total equity
					incl. profit for the period	
Opening balance, 1 January 2018	1 268	34	141 550	75	-97 074	45 853
Profit/loss for the period					-42 680	-42 680
Other comprehensive income				6 870		6 870
Total comprehensive income	0	0	0	6 870	-42 680	-35 810
Transactions with shareholders						
Directed share issue	261	-34	49 772			49 999
New share issue supported by warrants			6			6
Issue in kind	1 220		352 799			354 019
Issue expenses			-2 011			-2 011
Closing balance, 31 December 2018	2 749	0	542 116	6 945	-139 754	412 056
Opening balance, 1 January 2019	2 749	0	542 116	6 945	-139 754	412 056
Profit/loss for the period					-40 562	-40 562
Other comprehensive income				21 325		21 325
Total comprehensive income	0	0	0	21 325	-40 562	-19 237
Transactions with shareholders						
Preferential rights issue	1 100	0	81 364			82 464
Issue expenses			-9 189			-9 189
Closing balance, 31 December 2019	3 849	0	614 291	28 270	-180 316	466 095

Equity is attributable in its entirety to Parent Company shareholders.

Condensed consolidated statement of cash flows

kSEK	Oct-Dec 2019	Oct-Dec 2018	Full-year 2019	Full-year 2018
Cash flow from operating activities before changes in working capital	-6 270	3 399	-29 031	-28 826
Total changes in working capital	5 704	-7 414	12 447	-19 784
Cash flow from operating activities	-566	-4 015	-16 584	-48 610
Cash flow from investing activities	-5 197	-809	-13 059	-20 316
Cash flow from financing activities	-1 417	-3 684	69 706	43 940
CASH FLOW FOR THE PERIOD	-7 180	-8 508	40 063	-24 986
Cash and cash equivalents at start of period	59 551	20 609	12 237	37 203
Exchange-rate differences in cash and cash equivalents	9	136	80	20
CASH AND CASH EQUIVALENTS AT END OF PERIOD	52 380	12 237	52 380	12 237

Cash flow from operating activities before changes in working capital for Jan–Dec 2018 included acquisition costs of kSEK 8,756.

Condensed Parent Company income statement

kSEK	Oct-Dec 2019	Oct-Dec 2018	Full-year 2019	Full-year 2018
Net sales	9 852	21 604	28 346	38 144
Work performed by the Company for its own use and capitalised	182	45	702	1 481
Other operating income	52	239	1 151	1 078
Total operating income	10 086	21 888	30 199	40 703
Raw materials and subcontractors	-2 565	-4 617	-8 915	-9 636
Personnel costs	-4 971	-6 403	-19 590	-21 516
Other external expenses	-3 614	-4 231	-15 217	-16 113
Other operating expenses	-92	-522	-618	-1 521
EBITDA	-1 156	6 115	-14 141	-8 083
Depreciation/amortisation and impairment of tangible and intangible assets	-1 221	-1 191	-4 914	-7 441
EBIT	-2 377	4 924	-19 055	-15 524
Other interest income and similar profit/loss items	163	230	978	530
Interest expenses and similar profit/loss items	-	-3	-102	-82
Impairment of shares in subsidiaries	-	-92 000	-	-92 000
Total profit from financial items	163	-91 773	876	-91 552
PROFIT AFTER FINANCIAL ITEMS	-2 214	-86 849	-18 179	-107 076
Tax on profit/loss for the period	-	-	-	-
Profit/loss for the period	-2 214	-86 849	-18 179	-107 076
Other comprehensive income: <i>Items that may be transferred to profit or loss</i>				
Exchange-rate differences	-	-	-	-
Other comprehensive income for the period	0	0	0	0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-2 214	-86 849	-18 179	-107 076

Condensed Parent Company balance sheet

kSEK	31 Dec 2019	31 Dec 2018
ASSETS		
Non-current assets		
Intangible assets	5 930	10 142
Tangible assets	-	182
Receivables from Group companies	10 895	-
Financial assets	324 592	296 328
Total non-current assets	341 417	306 652
Current assets		
Inventory	3 269	2 109
Accounts receivable	6 607	3 234
Receivables from Group companies	92	20 981
Other receivables	9 474	11 571
Cash and bank balances	50 153	11 233
Total current assets	69 595	49 128
TOTAL ASSETS	411 012	355 780
EQUITY AND LIABILITIES		
Equity		
Restricted equity	8 418	9 753
Non-restricted equity	391 196	334 765
Total equity	399 614	344 518
Non-current liabilities		
Other liabilities to credit institutions	-	-
Total non-current liabilities	0	0
Current liabilities		
Accounts payable	3 564	3 297
Liabilities to Group companies	103	103
Other liabilities	7 731	7 862
Other current liabilities	11 398	11 262
TOTAL EQUITY AND LIABILITIES	411 012	355 780

Shareholders as of 31 December 2019

SHAREHOLDERS	NUMBER OF SHARES	VOTES & CAPITAL
UBS SWITZERLAND AG, W8IMY	13 944 034	14,5%
Mediuminvest A/S	11 750 000	12,2%
Fouriertransform AB	9 883 595	10,3%
SIX SIS AG, W8IMY	6 290 786	6,5%
Försäkringsaktiebolaget, Avanza Pension	3 448 563	3,6%
BNY MELLON SA/NV (FORMER BNY), W8IMY	2 618 839	2,7%
Nordnet Pensionsförsäkring AB	2 093 058	2,2%
Kock, John	1 875 521	1,9%
Petersen, Jan Christer	1 732 536	1,8%
Danske Bank International S.A.	1 019 800	1,1%
Övriga	41 551 027	43,2%
TOTAL	96 207 759	100,0%

NOTES

Note 1 General information

AAC Clyde Space AB (publ) Corp. Reg. No. 556677-0599 is the Parent Company registered in Sweden with its registered office in Uppsala at Uppsala Science Park, Dag Hammarskjölds väg 48, SE-751 83 Uppsala, Sweden.

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

Note 2 Summary of significant accounting policies

This Year-end Report has been prepared in accordance with IAS 34 *Interim Financial Reporting*.

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

The accounting policies applied agree with those described in the AAC Clyde Space Group's Annual Report for 2018, with the exception that AAC Clyde Space applies IFRS 16 *Leases* to the Group from 1 January 2019. The implementation of the standard entails a certain effect on the financial statements. For information about the effects in connection with the transition to IFRS 16, refer to Note 7. The accounting policies under IFRS 16 are listed below. The Parent Company, AAC Clyde Space AB, has chosen not to apply IFRS 16 *Leases*, but as of 1 January 2019 has applied the points indicated in RFR 2 (IFRS 16 *Leases*, pp. 2–12).

Leases

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

Leases are recognised as right-of-use assets, and a corresponding liability is recognised on the day the leased asset becomes available for use by the Group. Every lease payment is distributed between repayment of the liability and financial costs. The financial cost is allocated across the lease term so that each reporting period is charged an amount equivalent to a fixed interest rate for the liabilities recognised in each period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the useful life of the asset and the term of the lease.

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

The lease liabilities include the present value of the following lease payments:

- fixed fees
- variable lease payments dependent on an index

The lease payments are discounted using the incremental borrowing rate.

Right-of-use assets are measured at cost and include the following:

- the initial measurement of the lease liability
- payments made on or before the point in time when the leased asset is made available to the lessee

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

Options for extending and cancelling leases

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

Note 3 Segment information

Description of segments and primary activities

AAC Clyde Space's strategic steering group, consisting of its Chief Executive Officer (also acting Vice President Business Development), Chief Financial Officer, Chief Strategy Officer, Chief Operating Officer, Chief Technology Officer and UK Head of Finance, corresponds to the chief operating decision-maker (CODM) for the AAC Clyde Space Group and evaluates the Group's financial position and performance as well as makes strategic decisions. Management has determined the operating segments based on the information reviewed by the executive committee for the purposes of allocating resources and assessing performance.

The strategic steering group has identified two reportable segments in the Group's operations:

AAC Clyde Space, operations in Sweden

AAC Clyde Space primarily develops and produces data processing and power systems for CubeSats and small satellites (1–500 kg).

AAC Clyde Space, operations in Scotland

Clyde Space offers customised, turnkey services from design to operation of satellite systems in orbit, including reliable satellite platforms and subsystems from 1 to 50 kg.

The strategic steering group primarily uses adjusted earnings before interest, tax, depreciation and amortisation (EBITDA, see below) in assessing the operating segment's earnings.

EBITDA

	Oct–Dec 2019	Oct–Dec 2018	Jan–Dec 2019	Jan–Dec 2018
AAC Clyde Space	-1,960	6,128	-13,667	-7,980
Clyde Space	-3,257	-2,676	-13,630	-11,745
Other*	–	–	–	-8,756
Total EBITDA	-5,217	3,452	-27,297	-28,481

* Acquisition costs of Clyde Space

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

	Oct–Dec 2019	Oct–Dec 2018	Jan–Dec 2019	Jan–Dec 2018
Total EBITDA	-5,217	3,452	-27,297	-28,481
Net financial items	-169	-90	-844	-340
Depreciation and amortisation of tangible and intangible assets	-3,164	-3,161	-12,894	-14,784
Loss before tax	-8,550	201	-41,035	-43,605

Note 4 Net sales

Income

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

October–December 2019

	Clyde Space	AAC Clyde Space	Other	Total
Income by segment	12,073	9,852	–	21,925
Income from other segments	-3	-1,343	–	-1,346
Income from external customers	12,070	8,509	0	20,579
Satellite platforms	7,632	–	–	7,632
Subsystems	4,438	8,509	–	12,947
Licenses/Royalties	–	–	–	–
Total	12,070	8,509	0	20,579

October–December 2018

	Clyde Space	AAC Clyde Space	Other	Total
Income by segment	14,743	14,207	–	28,950
Income from other segments	–	–	–	0
Income from external customers	14,743	14,207	0	28,950
Satellite platforms	1,889	–	–	1,889
Subsystems	12,854	10,089	–	22,943
Licenses/Royalties	–	4,118	–	4,118
Total	14,743	14,207	0	28,950

January–December 2019

	Clyde Space	AAC Clyde Space	Other	Total
Income by segment	40,427	28,346	–	68,773
Income from other segments	-375	-1,963	–	-2,338
Income from external customers	40,052	26,383	0	66,435
Satellite platforms	20,403	–	–	20,403
Subsystems	19,649	26,269	–	45,918
Licenses/Royalties	–	114	–	114
Total	40,052	26,283	0	66,435

January–December 2018

	Clyde Space	AAC Clyde Space	Other	Total
Income by segment	47,142	30,746	–	77,888
Income from other segments	–	–	–	0
Income from external customers	47,142	30,746	0	77,888
Satellite platforms	17,440	–	–	17,440
Subsystems	29,702	24,254	–	53,956
Licenses/Royalties	–	6,492	–	6,492
Total	47,142	30,746	0	77,888

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

As of 31 December 2019, there were no financial liabilities measured at fair value. In earlier periods, financial liabilities were measured at fair value in the form of currency futures. At 31 December 2018, the fair value for currency futures amounted to kSEK -306 and was recognised in other current liabilities in the balance sheet, and changes in value were recognised in other operating expenses in the statement of comprehensive income. Fair values for currency futures are found in Level 2 of the fair value hierarchy.

Definitions of the levels in the fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as price listings) or indirectly (i.e. derived from price listings).

Level 3: Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The carrying amounts for liabilities to credit institutions recognised at amortised cost correspond with their fair values for the current period and the comparative period.

Note 6 Related-party transactions

During the period, three Board members invoiced the company kSEK 1,041 at market rates for the performance of consultant services linked to the company's operations. The services were primarily performed by the Chairman of the Board.

Note 7 New accounting policies: IFRS 16 Leases

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

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

*refers to prepaid expenses

IFRS 16 has had a minimal impact on operating profit and a minimal impact on earnings after financial items. The Group applies IFRS 16 Leases as of 1 January 2019, which resulted in amended accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition rules for IFRS 16, the Group applies the modified retrospective approach and has therefore not restated the comparative figures. On transition, all right-of-use assets were measured at an amount corresponding to the lease liability adjusted for prepaid lease payments attributable to the leases as at 31 December 2018. The following exemption rules were applied to transition:

- The right-of-use assets have been classified based on asset type and by country, and the discount rate has been established based on country and asset class.
- The right-of-use period was determined with the help of knowledge after the fact as regards, for example, extension options and cancellation clauses.

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

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

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

Note 8 Financial performance indicators

Definitions of key performance indicators

Equity/assets ratio, %

Equity divided by total assets

EBITDA

Operating profit/loss before depreciation/amortisation

Order backlog

The total at the end of the period of remaining unearned project revenue on confirmed orders, including products that have yet to be delivered or invoiced