

## 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 2021
Previous period:	For the half-year ended 30 June 2020

## 2. Results for announcement to the market

				€
Government grants and other income	up	>100%	to	69,197
Loss from ordinary activities after tax attributable to the owners of Kleos Space S.A.	up	>100%	to	(4,467,268)
Loss for the half-year attributable to the owners of Kleos Space S.A.	up	>100%	to	(4,467,268)

### 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 €4,467,268 (30 June 2020: €2,210,162).

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 2021 Cents	31 Dec 2020 Cents
Net tangible assets per CHESS Depository Interests ('CDI')	4.73	7.43

## 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 of the Company and the Group for the half-year ended 30 June 2021 were subject to a review and the review report is attached. The review report contains a paragraph emphasising a material uncertainty related to going concern.

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## 11. Attachments

*Details of attachments (if any):*

The Directors' report, interim consolidated financial statements and the report of the réviseur d'entreprises agréé of Kleos Space S.A. for the half-year ended 30 June 2021 are attached.

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## 12. Signed

Authorised by the Board of Directors

Signed  \_\_\_\_\_

Andrew Bowyer  
Director  
Luxembourg

Date: 31 August 2021

# 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 2021 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  
Australia

### Capital:

CHESS Depository Interests – Number of CDIs on issue at reporting date (31 August 2021) 162,398,436

Corporate directory	2
Directors' report	3
Responsibility statement	5
Interim consolidated statement of profit or loss and other comprehensive income	6
Interim consolidated statement of financial position	7
Interim consolidated statement of changes in equity	8
Interim consolidated statement of cash flows	9
Notes to the interim consolidated financial statements	10
Report of the Réviseur d'Entreprises Agréé	22

Directors	Peter Round (Chairman and Executive Chairman) 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 Australia
Australian Registered office	Boardroom Pty Ltd Level 12, 225 George Street Sydney, NSW 2000 Australia
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 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	<a href="http://www.kleos.space">www.kleos.space</a>

The directors present their report, together with the interim consolidated financial statements, for 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 2021.

### 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'), was launched into orbit in November 2020 and began delivering data and performing as a technology demonstration in July 2021. KSM will be the keystone for a later global high-capacity constellation. KSM will deliver targeted daily services with the full constellation delivering near-real-time global observation. The second Kleos Space satellite system was launched in June 2021 and is expected to become operational later in 2021.

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 €4,467,268 (30 June 2020: €2,210,162).

As a result of the loss incurred and the operating cash outflows during the half-year ended 30 June 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

Significant changes during the financial half-year were:

- (1) The Winance facility was repaid on 18 February 2021.
- (2) 30,000 options were exercised on 28 January 2021 for A\$9,000.
- (3) 50,000 options were exercised on 16 February 2021 for A\$15,000.
- (4) 550,000 options were exercised 18 February 2021 for A\$165,000.
- (5) 500,000 options were exercised 29 June 2021 for A\$150,000.

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**

Subsequent to the reporting period:

- 25,000 options were exercised on 8 July 2021 for A\$7,500.
- 560,000 options were exercised on 28 July 2021 for A\$168,000.
- 100,000 options were exercised on 2 August 2021 for A\$30,000.
- 760,000 options were exercised on 16 August 2021 for A\$228,000.
- 250,000 options were exercised on 18 August 2021 for A\$75,000.

Subsequent to the reporting date the first cluster of satellites began collecting data and the Company began providing that data to customers.

No other matter or circumstance has arisen since 30 June 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.

On behalf of the directors



Andy Bowyer  
Director

31 August 2021  
Luxembourg

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 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 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

  
Andy Bowyer  
Director

31 August 2021  
Luxembourg



		<b>Consolidated</b>	
		<b>1 Jan 2021</b>	<b>1 Jan 2020</b>
		<b>to 30 Jun</b>	<b>to 30 Jun</b>
		<b>2021</b>	<b>2020</b>
		<b>€</b>	<b>€</b>
<b>Government grants and other revenue</b>	4	69,197	-
Change in fair value of derivative financial instruments	16	(2,125,179)	131,335
<b>Expenses</b>			
Operating expenses	5	(757,047)	(513,699)
Employee benefit expenses	6	(1,290,114)	(834,585)
Research and development expenses		(65,358)	(308,164)
Depreciation expense		(3,986)	(30,418)
Other expenses		(64,383)	(14,202)
Finance costs	7	(229,733)	(640,429)
Total expenses		<u>(2,410,621)</u>	<u>(2,341,497)</u>
<b>Loss before income tax expense</b>		(4,466,603)	(2,210,162)
Income tax expense		<u>(665)</u>	-
<b>Loss after income tax expense for the half-year attributable to the owners of Kleos Space S.A.</b>		(4,467,268)	(2,210,162)
<b>Other comprehensive loss</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>(1,486)</u>	<u>(661)</u>
Other comprehensive loss for the half-year, net of tax		<u>(1,486)</u>	<u>(661)</u>
<b>Total comprehensive loss for the half-year attributable to the owners of Kleos Space S.A.</b>		<u><u>(4,468,754)</u></u>	<u><u>(2,210,823)</u></u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per CDI	8	(2.79)	(2.07)
Diluted earnings per CDI	8	(2.79)	(2.07)

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

	Note	Consolidated 30 Jun 2021 €	31 Dec 2020 €
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	3,702,530	10,787,963
Trade receivables and other current assets	10	619,787	648,960
Total current assets		<u>4,322,317</u>	<u>11,436,923</u>
<b>Non-current assets</b>			
Property, plant and equipment	11	7,106,030	5,466,987
Total non-current assets		<u>7,106,030</u>	<u>5,466,987</u>
<b>Total assets</b>		<u>11,428,347</u>	<u>16,903,910</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	13	420,468	423,014
Accrued expenses	14	285,286	323,096
Borrowings	15	18,147	3,466,100
Derivative financial instruments	16	2,959,152	833,973
Other current liabilities		12,207	524
Total current liabilities		<u>3,695,260</u>	<u>5,046,707</u>
<b>Non-current liabilities</b>			
Borrowings	15	128,310	-
Total non-current liabilities		<u>128,310</u>	<u>-</u>
<b>Total liabilities</b>		<u>3,823,570</u>	<u>5,046,707</u>
<b>Net assets</b>		<u>7,604,777</u>	<u>11,857,203</u>
<b>Equity</b>			
Contributed equity	17	22,084,310	21,867,982
Reserves	18	263,916	265,402
Accumulated losses		(14,743,449)	(10,276,181)
<b>Total equity</b>		<u>7,604,777</u>	<u>11,857,203</u>

**Consolidated**

	Contributed equity €	Reserves €	Accumulated losses €	Total equity €
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 loss for the half-year, net of tax	-	(661)	-	(661)
Total comprehensive loss for the half-year	-	(661)	(2,210,162)	(2,210,823)
<i>Transactions with owners in their capacity as owners:</i>				
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>7,687,994</u>	<u>803,945</u>	<u>(7,618,105)</u>	<u>873,834</u>

**Consolidated**

	Contributed equity €	Reserves €	Accumulated losses €	Total equity €
Balance at 1 January 2021	21,867,982	265,402	(10,276,181)	11,857,203
Loss after income tax expense for the half-year	-	-	(4,467,268)	(4,467,268)
Other comprehensive loss for the half-year, net of tax	-	(1,486)	-	(1,486)
Total comprehensive loss for the half-year	-	(1,486)	(4,467,268)	(4,468,754)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of CDIs - exercise of options (note 17)	216,328	-	-	216,328
Balance at 30 June 2021	<u>22,084,310</u>	<u>263,916</u>	<u>(14,743,449)</u>	<u>7,604,777</u>

		Consolidated 1 Jan 2021 to 30 Jun 2021 €	1 Jan 2020 to 30 Jun 2020 €
Note			
<b>Cash flows from operating activities</b>			
	Receipts from government grants	14,935	490,195
	Receipts from resale of launch services	151,022	-
	Payments for launch services	(135,920)	-
	Payments to suppliers and employees	(2,267,312)	(1,381,626)
	Interest paid	(102,300)	(212,447)
	Income taxes paid	(665)	-
	Net cash used in operating activities	(2,340,240)	(1,103,878)
<b>Cash flows from investing activities</b>			
	Payments for property, plant and equipment	(1,643,029)	-
	Net cash used in investing activities	(1,643,029)	-
<b>Cash flows from financing activities</b>			
	Proceeds from issue of CDIs	17 216,328	-
	Advance for CDIs	13 4,485	-
	Net (payments)/proceeds from borrowings - Winance	(3,319,643)	1,105,346
	Proceeds from borrowings - Luxembourg Ministry of the Economy	-	146,457
	Repayment of lease liabilities	-	(26,993)
	Net cash (used in)/from financing activities	(3,098,830)	1,224,810
	Net (decrease)/increase in cash and cash equivalents	(7,082,099)	120,932
	Cash and cash equivalents at the beginning of the financial half-year	10,787,963	292,593
	Effects of exchange rate changes on cash and cash equivalents	(3,334)	(5,312)
	Cash and cash equivalents at the end of the financial half-year	<u>3,702,530</u>	<u>408,213</u>

## Note 1. General information

The interim consolidated financial statements is for Kleos Space S.A. (referred to as the 'Company' or 'parent entity') and the entities it controlled (collectively the 'Group') for the 6 months ended 30 June 2021. 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 and registered with the Registre de Commerce et des Sociétés under the number B215591. 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

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

### Principal place of business

26, rue des Gaulois  
L-1618, Luxembourg  
Luxembourg

The principal activity of the Group during the 6 months ended 30 June 2021 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.

The interim consolidated financial statements were authorised for issue, in accordance with a resolution of directors, on 31 August 2021.

## Note 2. Significant accounting policies

These general purpose interim consolidated financial statements for the interim half-year reporting period ended 30 June 2021 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 2021.

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 Group's consolidated financial statements for the year ended 31 December 2020.

### New accounting standards, interpretations and amendments adopted by the Group

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 accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted (see Note 2. to the Group's annual consolidated financial statements for the year ended 31 December 2020). The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

## Note 2. Significant accounting policies (continued)

Several amendments apply for the first time in 2021, but do not have an impact on the interim 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 2021, the Group incurred a net loss of €4,467,268 (30 June 2020: net loss of €2,210,162). As at 30 June 2021, the Group has working capital of €627,057 (31 December 2020: €6,390,216) and cash and cash equivalents of €3,702,530 (31 December 2020: €10,787,963).

The outbreak of a novel and highly contagious form of Coronavirus ('COVID-19'), which the World Health Organisation 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 a significant delay in the launch of the Company's first satellite delaying generation of revenue. While the launch was planned earlier on in 2020, it took place in November 2020 therefore delaying the commencement of operations.

The launch of the Group's second cluster of satellites took place in June 2021, and in July 2021 the first cluster began operating, downloading data and performing tests. The Company is currently providing data from the first cluster of satellites to customers for testing purposes with revenues from data sales expected at the end of the third quarter of 2021. Accordingly, the Group does not currently generate significant operating cashflows.

In addition, to continue the development of its activities, the Company will require additional funding which has not yet been secured.

These conditions give rise to material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. The interim consolidated financial statements have been prepared on a going concern basis because management believes that since there has been very strong interest from potential customers, and the first cluster of satellites is, from July 2021, able to download commercial data for customers. Management expects to start generating revenues in Q3 2021 in line with its latest financial forecast.

Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset or liabilities amounts nor appropriate disclosures that may be necessary should the Group be unable to continue as a going concern.

At the AGM of the Company held 27 May 2021, the shareholders passed a resolution for the continuation of the Company in accordance with article 480-2 (formerly article 100) of the Luxembourg Company Law of August 10, 1915, as subsequently amended.

## 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 disclosed in these interim consolidated financial statements and is therefore not duplicated.

#### Note 4. Government grants and other revenue

	Consolidated	
	1 Jan 2021 to 30 Jun 2021 €	1 Jan 2020 to 30 Jun 2020 €
Government grants	54,095	-
Other revenue	15,102	-
Government grants and other revenue	<u>69,197</u>	<u>-</u>

##### 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. Accordingly, the Group recognised €54,095 (30 June 2020: €nil) income from government grants in line with expenditure incurred during the half-year ended 30 June 2021.

##### Other revenue

The Group recognised other revenue of €15,102 which represents proceeds of €151,022 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 5. Operating expenses

	Consolidated	
	1 Jan 2021 to 30 Jun 2021 €	1 Jan 2020 to 30 Jun 2020 €
Administration expenses	171,379	67,098
Consulting and professional fees	488,555	406,458
Payroll tax expense	33,565	-
Rent expenses	38,666	-
Travel expenses	24,882	40,143
	<u>757,047</u>	<u>513,699</u>

#### Note 6. Employee benefit expenses

	Consolidated	
	1 Jan 2021 to 30 Jun 2021 €	1 Jan 2020 to 30 Jun 2020 €
Salaries and benefits	1,290,114	759,328
Share-based payments	-	75,257
	<u>1,290,114</u>	<u>834,585</u>

## Note 7. Expenses

	Consolidated	
	1 Jan 2021 to 30 Jun 2021 €	1 Jan 2020 to 30 Jun 2020 €
Loss before income tax includes the following specific expenses:		
<i>Finance costs</i>		
Interest and finance charges	32,886	5,267
Interest and finance charges paid/payable on lease liabilities	-	2,557
Interest on convertible notes (convertible notes were redeemed on 27 February 2020)	-	216,770
Interest on amount payable to the Luxembourg Ministry of the Economy	824	83
Interest on Winance loan (fully repaid in February 2021)	196,023	415,752
	<u>229,733</u>	<u>640,429</u>
<i>Net foreign exchange gain (included in other expenses)</i>		
Net foreign exchange loss/(gain)	<u>7,528</u>	<u>(17,484)</u>
<i>Leases</i>		
Minimum lease payments	-	9,850
Short-term lease payments	-	-
	<u>-</u>	<u>9,850</u>

## Note 8. Earnings per CDI

	Consolidated	
	1 Jan 2021 to 30 Jun 2021 €	1 Jan 2020 to 30 Jun 2020 €
Loss after income tax attributable to the owners of Kleos Space S.A.	<u>(4,467,268)</u>	<u>(2,210,162)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary CDIs used in calculating basic earnings per CDI	<u>160,045,922</u>	<u>106,627,500</u>
Weighted average number of ordinary CDIs used in calculating diluted earnings per CDI	<u>160,045,922</u>	<u>106,627,500</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per CDI	(2.79)	(2.07)
Diluted earnings per CDI	(2.79)	(2.07)

At 30 June 2021 and 30 June 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 9. Cash and cash equivalents

	Consolidated 30 Jun 2021 €	31 Dec 2020 €
<i>Current assets</i>		
Cash on hand	35	34
Cash at bank	3,702,495	10,787,929
	<u>3,702,530</u>	<u>10,787,963</u>

## Note 10. Trade receivables and other current assets

	Consolidated 30 Jun 2021 €	31 Dec 2020 €
<i>Current assets</i>		
Government grant receivable	112,585	73,425
Other receivable	43	32,963
Prepayments	372,549	456,942
Net VAT refundable	134,610	85,630
	<u>619,787</u>	<u>648,960</u>

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

## Note 11. Property, plant and equipment

	Consolidated 30 Jun 2021 €	31 Dec 2020 €
<i>Non-current assets</i>		
Computer equipment - at cost	5,149	5,149
Less: Accumulated depreciation	(4,822)	(4,186)
	<u>327</u>	<u>963</u>
Tools and equipment - at cost	67,245	67,245
Less: Accumulated depreciation	(20,980)	(17,665)
	<u>46,265</u>	<u>49,580</u>
Furniture - at cost	350	350
Less: Accumulated depreciation	(225)	(190)
	<u>125</u>	<u>160</u>
Satellite equipment (construction-in-progress)	7,059,313	5,416,284
	<u>7,106,030</u>	<u>5,466,987</u>

## Note 11. Property, plant and equipment (continued)

### Reconciliations

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

Consolidated	Computer equipment €	Tools and equipment €	Furniture €	Satellite equipment (construct- ion-in- progress) €	Total €
Balance at 1 January 2021	963	49,580	160	5,416,284	5,466,987
Additions	-	-	-	1,643,029	1,643,029
Depreciation expense	(636)	(3,315)	(35)	-	(3,986)
Balance at 30 June 2021	327	46,265	125	7,059,313	7,106,030

The Company began providing data from the first cluster of four satellites to customers for testing purposes in July 2021. The depreciation on the first cluster of satellites will therefore be calculated from July 2021, over a period of three 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. Management concluded that there was no impairment required for property, plant and equipment as at 30 June 2021.

## Note 12. Right-of-use assets

	Consolidated 30 Jun 2021 €	31 Dec 2020 €
<i>Non-current assets</i>		
Office premises - right-of-use	-	88,107
Less: Accumulated depreciation	-	(88,107)
	-	-

The right-of-use assets related to the Company's office premises. The Company entered into a new lease contract for a period of less than 12 months, accordingly no right-of-use assets and corresponding lease liability is recognised.

## Note 13. Trade and other payables

	Consolidated 30 Jun 2021 €	31 Dec 2020 €
<i>Current liabilities</i>		
Trade payables*	415,682	422,713
Payable to related party	301	301
Other payables**	4,485	-
	420,468	423,014

\* Trade payables represents amounts due for operating expenses.

\*\* Other payables represents advance payments for 25,000 options exercised on 8 July 2021, for A\$7,500.

#### Note 14. Accrued expenses

	Consolidated	
	30 Jun 2021	31 Dec 2020
	€	€
<i>Current liabilities</i>		
Social security payable	31,638	17,934
Withholding tax payable	9,771	18,320
Other accruals	243,877	286,842
	<u>285,286</u>	<u>323,096</u>

#### Note 15. Borrowings

	Consolidated	
	30 Jun 2021	31 Dec 2020
	€	€
<i>Current liabilities</i>		
Winance loan	-	3,319,643
Payable to the Luxembourg Ministry of the Economy	18,147	146,457
	<u>18,147</u>	<u>3,466,100</u>
<i>Non-current liabilities</i>		
Payable to the Luxembourg Ministry of the Economy	128,310	-
	<u>146,457</u>	<u>3,466,100</u>

#### *Winance loan*

The Company repaid the loan on 18 February 2021 upon the expiry of its term.

#### *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 16. Derivative financial instruments

	Consolidated	
	30 Jun 2021	31 Dec 2020
	€	€
<i>Current liabilities</i>		
Derivative financial instruments - warrants	2,229,540	657,739
Derivative financial instruments - options	729,612	176,234
	<u>2,959,152</u>	<u>833,973</u>

Refer to note 21 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 16. Derivative financial instruments (continued)

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 €2,229,540 (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.

The options have been accounted for as derivative liabilities. The fair value of the 2,000,000 options issued at grant was €146,950. 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 2,000,000 options was €729,612 (31 December 2020: €176,234).

## Note 17. Contributed equity

	30 Jun 2021 CDIs	31 Dec 2020 CDIs	30 Jun 2021 €	31 Dec 2020 €
CHESS Depository Interests - fully paid	<u>160,703,436</u>	<u>159,573,436</u>	<u>22,084,310</u>	<u>21,867,982</u>

### Movements in CDI

Details	Date	CDIs	Issue price	€
Balance	1 January 2021	159,573,436		21,867,982
Issue of CDIs - exercise of options at A\$0.30	28 January 2021	30,000	€0.191	5,725
Issue of CDIs - exercise of options at A\$0.30	16 February 2021	50,000	€0.191	9,586
Issue of CDIs - exercise of options at A\$0.30	18 February 2021	550,000	€0.193	106,039
Issue of CDIs - exercise of options at A\$0.30	29 June 2021	<u>500,000</u>	<u>€0.190</u>	<u>94,978</u>
Balance	30 June 2021	<u>160,703,436</u>		<u>22,084,310</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.

#### Note 17. Contributed equity (continued)

The Group would look to raise capital when an opportunity to invest in a business or company is seen as value adding relative to the current Company's CDI price at the time of the investment.

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

#### Note 18. Reserves

	Consolidated 30 Jun 2021 €	31 Dec 2020 €
Foreign currency reserve	(1,362)	124
Share-based payments reserve	265,278	265,278
	<u>263,916</u>	<u>265,402</u>

##### 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 €	Total €
Balance at 1 January 2021	124	265,278	265,402
Foreign currency translation	(1,486)	-	(1,486)
Balance at 30 June 2021	<u>(1,362)</u>	<u>265,278</u>	<u>263,916</u>

#### Note 19. Dividends

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

#### Note 20. 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.

##### 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.

###### 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 21. 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

Consolidated - 30 Jun 2021	Level 1 €	Level 2 €	Level 3 €	Total €
<i>Liabilities</i>				
Derivative financial instruments - warrants	-	-	2,229,540	2,229,540
Derivative financial instruments - options	-	-	729,612	729,612
Total liabilities	-	-	2,959,152	2,959,152

Consolidated - 31 Dec 2020	Level 1 €	Level 2 €	Level 3 €	Total €
<i>Liabilities</i>				
Derivative financial instruments - warrants	-	-	657,739	657,739
Derivative financial instruments - options	-	-	176,234	176,234
Total liabilities	-	-	833,973	833,973

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 half-year, and no transfers into or out of Level 3 fair value measurements during the half-year ended 30 June 2021.

The movement in the fair value \$2,125,179 due to the increase in the underlying share price is recognised in consolidated profit or loss for the period ended 30 June 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 model.

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

## Note 21. Fair value measurement (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	71.2% - 91.2%	An increase of 10% would result in the liability increasing to €3,064,146 and a decrease of 10% would result in the liability decreasing to €2,857,537, assuming all other factors remain constant.
	Risk free rate	0.4% - 1.4%	A 1% change in the risk free rate would result in a decrease/increase in the liability by €21,000, assuming all other factors remain constant.
	Underlying price	€0.893 - €0.987	5% increase in the recent transaction price would result in an increase in the liability by €205,387 and 5% decrease in the recent transaction price would result in a decrease in liability by €203,674.

## Note 22. Contingent liabilities

The Group had no contingent liabilities as at 30 June 2021 and 31 December 2020.

## Note 23. Commitments

	Consolidated	
	30 Jun 2021	31 Dec 2020
	€	€
<i>Capital commitments*</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment (satellite and launch)	3,171,920	1,573,433

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

## Note 24. Related party transactions

### Controlling entity

Magna Parva Limited ('controlling entity') is a company incorporated in the United Kingdom which owns 15.56% of the shares of the Company (31 December 2020: 15.67%).

### Transactions with related parties

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

#### Note 24. Related party transactions (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	
	30 Jun 2021	31 Dec 2020
	€	€
Current payables:		
Payable to controlling 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 25. Share-based payments

During the 6 months ended 30 June 2021, no performance rights or options over CDIs were granted to employees under the Long Term Incentive Plan ('LTIP').

#### Note 26. Events after the reporting period

Subsequent to the reporting date:

- 25,000 options were exercised on 8 July 2021 for A\$7,500.
- 560,000 options were exercised on 28 July 2021 for A\$168,000.
- 100,000 options were exercised on 2 August 2021 for A\$30,000.
- 760,000 options were exercised on 16 August 2021 for A\$228,000.
- 250,000 options were exercised on 18 August 2021 for A\$75,000.

Subsequent to the reporting date the first cluster of satellites began collecting data and the Company began providing that data to customers.

No other matter or circumstance has arisen since 30 June 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.



**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 2021, which comprise the interim consolidated statement of financial position as at 30 June 2021, 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 as adopted by the European Union.

#### 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. The delay in the launch of the Company's first satellites has delayed the generation of revenues 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



Olivier Lemaire

Luxembourg, 31 August 2021