

Interim Report

for 1 October – 31 December 2018

1 OCTOBER – 31 DECEMBER 2018 (2017)

- Net revenues increased to T.SEK 40,217 (29,619), a growth of 36%. Without the partial elimination of the associated company, growth was 30%
- Gross margin decreased to 6% (26%)
- Operating profit (loss) decreased to a negative T.SEK 44,514 (a negative 23,096)
- Earnings per share were a negative SEK 1.73 (a negative 0.46)
- Both the gross margin and the operating profit were under pressure due to the Sky and Space Global project being put on hold as a consequence of missing payment
- Order book amounts to SEK 715,402 as at 31 December 2018. In 2019, we expect to convert between SEK 80-90 million of the order backlog into revenue
- GomSpace and ESA sign contract to initiate work on new GOMX-5 satellite mission to discover new nanosatellite capabilities for the next generation of constellations
- Final outcome in GomSpace Group's preferential rights issue, a total of SEK 251 million were raised before transaction costs

1 JANUARY – 31 DECEMBER 2018 (2017)

- Net revenues increased to T.SEK 153,384 (96,405), a growth of 59%. Without the partial elimination of the associated company, growth was 63%
- Gross margin decreased to 25% (28%)
- Operating profit (loss) decreased to a negative T.SEK 116,601 (a negative 67,610), mainly due to a major project being put on hold as a consequence of missing payment
- Earnings per share were a negative SEK 3.93 (a negative 2.09)
- The Board of Directors proposes no dividend for the year 2018

Subsequent events

- On Friday 22 February, Sky and Space Global sent information documenting a bank transfer of the payment for the critical design review, we expect that the payment will appear on our bank account in a couple of days
- ESA and GomSpace sign contract for advanced nanosatellite to join the HERA mission. The nanosatellite developed for this mission is the first developed for deep space missions by GomSpace

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Message from the CEO

The net revenue in 2018 amounted to T.SEK 153,384 compared to T.SEK 96,405 in 2017. This corresponds to a growth rate of 59%. Without the impact of the elimination of sales to associated companies, the growth rate corresponds to 63%. The gross margin amounts to 25%; without elimination, it would have been 30%.

We did not fully reach the expected revenue and margins as the Sky and Space Global project was slowed down to a minimum due to overdue payments, which led to restructuring and reduction of staff in GomSpace. Sky and Space Global sent documentation for a bank transfer on 22 February, we expect the payments to appear on our bank account in the next couple of days.

During the autumn, we raised SEK 251 million in a rights issue before transaction costs. We are grateful to the large number of shareholders who decided to use their subscription rights to make further investments in GomSpace, and we are also grateful to the new investors who have now decided to join us as shareholders.

The net proceeds of the rights issue are intended to be used for the following:

- Operating expenses and to finance the working capital
- Investments in internal development projects and facilities
- Reserve capital for strengthening the balance sheet

As we now have sufficient capital and also handled the insecurity related to the progress of the Sky and Space Global project, we have now started a new chapter where we will focus on returning to a positive cash flow.

Status is that we have developed a very strong portfolio of products that enables us to bid on many advanced nanosatellites In Orbit Demonstration (IOD) projects and full constellation projects. We have invested in production facilities that eventually will make it possible to reach 350 satellites per year when it is fully operational. We are well underway in developing the production technology that will make our vision of industrial production of nanosatellites a reality.

Over the last couple of years, we have also enhanced our position with the European Space Agency and are now beginning to win important technology projects for them. This is for instance the GOMX-5 project where we will be demonstrating capabilities, large orbital transfer maneuvers and high data rate inter-satellite links in high LEO and also the HERA project where we will be validating nanosatellites for science missions in deep space. With these projects, we will be able to develop new and important capabilities for the mid-term and long-term perspective.

Based on the above, we are now focusing on building up a portfolio of In Orbit Demonstration projects. IOD projects are projects where customers usually buy 2 to 4 satellites with the aim of testing a service in orbit before launching a full service. Such services typically consist of a constellation of between 50 to 250 satellites.

The conversion from a successful In Orbit Demonstration to a project of a full constellation of nanosatellites depends on their success in implementing their business case, which regards several aspects such as technology and financing. Aerial & Maritime Ltd. is in a phase where they are getting ready to launch their equatorial constellation of 8 satellites. In 2018, GomSpace and Aerial & Maritime Ltd. entered a Memorandum of Understanding where it was expressed that the financing of the full constellation would be completed by the end of 2018.

However, this has been delayed and we do not expect Aerial & Maritime Ltd. to get that phase financed until the initial 8 satellites have been launched. This will demonstrate the use of the equatorial constellation and is thereby also expected to facilitate access to financing of the full constellation.

We are currently working on 4 IOD projects and are bidding on 10 IOD projects as well as prospects on 15 IOD projects. Not all of them will become constellation orders, therefore it is important for us to focus on winning as many IOD projects as possible as it is the number of projects that can potentially scale GomSpace to grow very fast.

While we are building up the portfolio of IOD projects, it is essential that we continue our focus on completing our production capacity and to prepare our new products so that we quickly can scale up the production rate as the IOD projects are converting into the manufacturing of constellations.

With these capabilities and with this strategy, we believe that we have the possibility to secure GomSpace a strong growth, for the long-term.

Best regards,



A handwritten signature in blue ink, appearing to read 'Niels Buus'.

Niels Buus
CEO

Significant events during the period

GomSpace and ESA sign contract to initiate work on new GOMX mission

December 20, 2018 – GomSpace has signed a T.EUR 300 development contract with ESA for the initiation of a new GOMX-5 satellite mission to demonstrate new nanosatellite capabilities for the next generation of constellations requiring high speed communications links and high levels of manoeuvrability. The mission will consist of two nanosatellites in the 20kg class with an improved platform for increased power handling and reliability. Further, the satellites will be equipped with a number of advanced communication technology payloads to be announced after final selection.

Final outcome in GomSpace Group's preferential rights issue
December 11, 2018 – The final outcome of the preferential rights issue in GomSpace Group AB (publ) ("GomSpace" or the "Company") shows that 20,593,672 shares, corresponding to approximately 72.7 percent of the offered shares, have been subscribed for by the exercise of subscription rights. 3,340,464 shares have been allocated without subscription rights. The rights issue is thus subscribed for by 84.5 percent and GomSpace receives proceeds amounting to approximately SEK 251 million before transaction costs, which are estimated to amount to approximately SEK 17 million. The rights issue will increase GomSpace's share capital with SEK 1,675,389.52 from SEK 1,983,846.69 to SEK 3,659,236.21 by the issuance of a total of 23,934,136 shares. The number of shares in GomSpace after the rights issue will amount to 52,274,803.

Preliminary outcome in GomSpace Group's preferential rights issue

December 7, 2018 – The preliminary outcome of the preferential rights issue in GomSpace Group AB (publ) ("GomSpace" or the "Company"), for which the subscription period ended on December 5, 2018, indicates that the rights issue is subscribed for by 86.9 percent. As a result of the rights issue, GomSpace will receive proceeds amounting to approximately SEK 259 million before transaction costs.

GomSpace publishes prospectus in connection with preferential rights issue

November 20, 2018 – The board of directors of GomSpace Group AB (publ) has published a prospectus in connection with the new share issue with preferential rights for the Company's shareholders of up to approximately SEK 298 million (the "Rights Issue"), announced by the Company through a press release on 12 November 2018.

GomSpace Group resolves on a rights issue of approximately SEK 298 million

November 12, 2018 – On 28 September 2018, the board of directors of GomSpace Group AB (publ) announced its intention, subject to an authorization subsequently received at the extraordinary general meeting held on 16 October 2018, to carry out a rights issue of approximately SEK 300 million with preferential rights for existing shareholders.

Extraordinary general meeting held in GomSpace Group AB (publ)

October 16, 2018 – Decision was made regarding early publication of the interim report for the third quarter 2018. The general meeting resolved, in accordance with the proposals presented in the notice to attend the meeting (kept available at the Company's website www.gospace.com) to authorize the board of directors to resolve upon issuance of new shares within the limits of the articles of association. It was also resolved that the board of directors shall consist of three (3) ordinary members without deputy members until the end of the next annual general meeting.

Significant events after the accounting period

ESA and GomSpace sign contract for advanced nanosatellite to join the HERA mission

January 21, 2019 – GomSpace and ESA have signed a contract to develop a 6U nanosatellite, named Juventas to join the HERA mission. The Juventas nanosatellite will perform scientific tasks and eventually land on the Didymoon asteroid. The contract value is EUR 400,000. The nanosatellite will be a so called 6U nanosatellite approximately the size of a shoebox and mass of approximately 12 kilograms. It will be part of ESA's HERA mission to a binary asteroid system, which is the first of its kind in Europe. Juventas will be the very first nanosatellite developed for deep space missions by GomSpace.

GomSpace comments on non-payment from our customer Sky and Space Global

January 4, 2019 – GomSpace Group AB (the "Company") is following up on information from the third quarter interim report. In the report, it was disclosed that a payment of T.SEK 20,592 from our customer Sky and Space Global was, as per agreement, expected to be received during the fourth quarter 2018. The payment is not contested by Sky and Space Global but is still outstanding due to their current cash flow situation. We have a constructive dialogue with Sky and Space Global regarding a new payment plan in order for them to be able to solve the situation and make the payment in full. We have already taken their cash flow situation into account and the situation does not have any impact on our long-term ambitions.

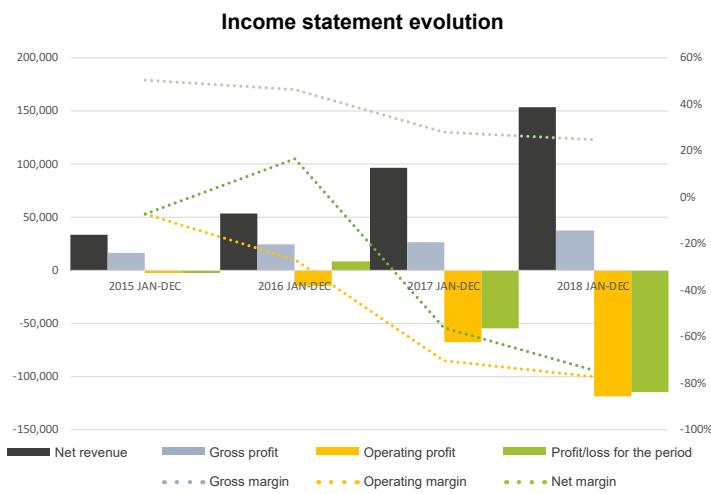
Financial Performance

Financial Review

The Interim Report for 1 October – 31 December for GomSpace Group AB also includes the companies GomSpace A/S, GomSpace Orbital ApS, GomSpace Sweden AB, GomSpace Asia Pte Ltd, GomSpace North America LLC as well as GomSpace Luxembourg S.A.R.L. Result for the period was a net loss of T.SEK 53,657 (a loss of 12,085) and a net loss of T.SEK 112,498 for the year. At 31 December 2018, equity was T.SEK 441,843 (185,315).

	2018 Jan-Dec T.SEK	2017 Jan-Dec T.SEK	Change in pct.
INCOME STATEMENT			
Net revenue	153,384	96,405	59%
Gross profit	38,549	26,884	43%
Gross margin	25%	28%	-3 pp
Operating profit (loss)	-116,601	-67,610	72%
- <i>As a percentage of revenues</i>	-76.0%	-70.1%	-6 pp
Profit (loss) before tax	-122,811	-66,515	85%
- <i>As a percentage of revenues</i>	-80.1%	-69.0%	-11 pp
Profit (loss) for the period	-112,498	-53,989	108%
- <i>As a percentage of revenues</i>	-73.3%	-56.0%	-17 pp
Cost of goods sold	114,835	69,521	65%
- <i>As a percentage of revenues</i>	74.9%	72.1%	3 pp
Sales and distribution costs	38,310	30,996	24%
- <i>As a percentage of revenues</i>	25.0%	32.2%	-7 pp
Development costs	58,119	25,277	130%
- <i>As a percentage of revenues</i>	37.9%	26.2%	12 pp
Administrative costs	59,423	38,221	55%
- <i>As a percentage of revenues</i>	38.7%	39.6%	-1 pp
Earnings per share, basic, SEK	-3.93	-2.09	88%
Earnings per share, diluted, SEK	-3.93	-2.08	89%
Balance sheet items			
Intangible assets	118,573	66,074	79%
Property, plant and equipment	37,911	21,333	78%
Working capital	6,010	23,606	-75%
Cash and cash equivalents	269,418	95,567	182%
Equity	441,843	185,315	138%
Liabilities	166,699	127,754	30%

The growth in revenue is 59% for the year 2018 and Gross margin is 25%. The year 2018 is influenced by the Sky and Space Global project being put on hold and therefore resources were re-directed to other customer projects and investment projects as well as the year is influenced by the preparation of the new production area for large scale manufacturing of satellites. Our capacity thereby exceeds our activity level which results in low capacity utilization. As a consequence, we have made reductions in staff at the end of the year, this is expected to have a minor effect in the first quarter of 2019, though a full effect is expected in the second quarter of 2019. Compared to 2017, gross margin has decreased from 28% to 25%.



The operating loss for the fourth quarter was T.SEK 44,514 (a loss of 23,096) and the loss for the year 2018 was T.SEK 116,601 (a loss of 67,610).

Orders received and revenue

1 OCTOBER – 31 DECEMBER 2018 (2017)

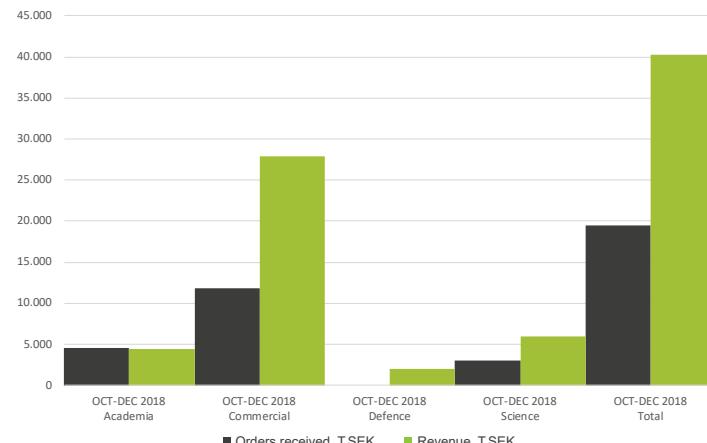
The orders received for the fourth quarter of 2018 amounted to T.SEK 19,488 and the order backlog value at the end of the year 2018 amounted to T.SEK 715,402, the most significant part of the order backlog is placed on the commercial business area. Order intake did not meet our expectations, and it was for instance a result of In orbit Demonstrations being delayed during the year. However, in November several successful launches took place which is believed to release new project and product sales to existing customers in 2019. In June

2018, it was published in a press release that Aerial & Maritime Ltd. was expected to place an order for a global constellation in the fourth quarter. This did not take place and funding of the project is still pending. The project is going ahead and we still expect that this will develop into a global constellation, however for the time being, there is uncertainty about the project schedule.

The orders received regarding commercial orders represent 61% of total orders for the period. In December, a contract was entered with ESA at a value of T.SEK 3,083 in the science business segment. This is a development contract for the initiation of a new GOMX-5 satellite mission with the purpose of demonstrating new nanosatellite capabilities for the next generation of constellations which require high speed communications links and high levels of manoeuvrability.

In 2019, we expect to convert between SEK 80-90 million of the order backlog into revenue. Furthermore, we still have a strong sales pipeline of platforms, payloads and subsystems which we expect will contribute with 15-25% of revenues in 2019. We also expect to enter project orders in 2019 which will be converted into revenue during the year, and thereby we maintain our growth targets communicated in our long-term ambitions.

Orders and revenue



Business segments

	Academia T.SEK	Commercial T.SEK	Defense T.SEK	Science T.SEK	Total T.SEK
ORDER BOOK					
Order backlog 1 January 2018	6,935	696,383	3,904	16,166	723,388
Currency adjustment	1,219	25,589	187	-3,385	23,610
Order intake	2,882	68,590	3,043	26,738	101,253
Converted to revenue	-6,347	-91,871	-3,586	-11,362	-113,166
Order backlog 30 September 2018	4,689	698,691	3,548	28,157	735,085
Currency adjustment	-1,517	2,648	296	-381	1,046
Order intake	4,528	11,877	0	3,083	19,488
Converted to revenue	-4,418	-27,843	-1,978	-5,978	-40,217
Order backlog 31 December 2018	3,282	685,373	1,866	24,881	715,402

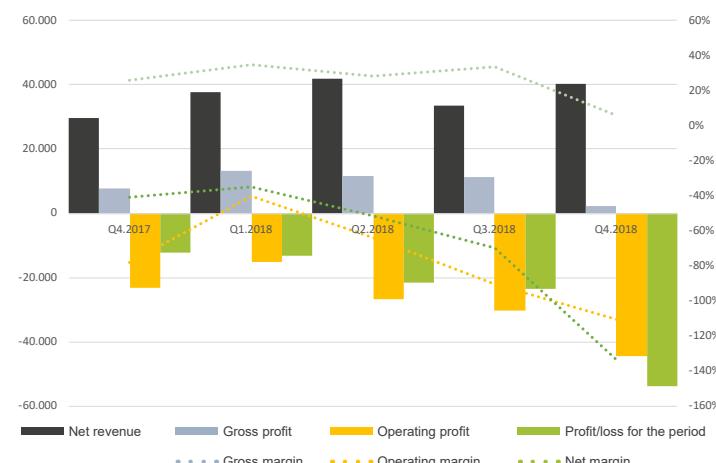
Out of the backlog as at 31 December 2018, T.SEK 621,038 in the commercial segment is related to our customer Sky and Space Global. In relation to the order from Aerial & Maritime Ltd., at a total value of T.SEK 18,855, the backlog for the period includes a partial order at T.SEK 11,500.

1 JANUARY – 31 DECEMBER 2018 (2017)

The orders received for the year 2018 amounted to T.SEK 120,741. The orders received regarding commercial orders represent 67% of total orders for the period and orders received regarding science orders represent 25%. In 2018, an agreement was entered with Kleos Space S.A. at a value of T.SEK 24,577 in the commercial business segment as well as a science contract was entered with ESA at a value of T.SEK 15,986. Furthermore, a contract was signed with AISTECH at a value of T.SEK 14,081 and a contract was also signed with Astrocast at a value of T.SEK 4,578, both of these are in the commercial business segment.

Revenue**1 OCTOBER – 31 DECEMBER 2018 (2017)**

Revenues for the fourth quarter of 2018 amounted to T.SEK 40,217 (29,619), corresponding to an increase of 36% compared with the same period in 2017. The revenue excludes T.SEK 1,653 (2,501), eliminating partial revenue from the associated entity, Aerial & Maritime Ltd. Had this adjustment not been carried out, the total underlying growth would have been 30%. Kleos Space S.A. constitutes 28% of total revenue whereas Sky & Space Global Ltd. constitutes 10% and Aerial & Maritime Ltd. constitutes 3% of total revenue in the fourth quarter.

Income statement evolution

In the fourth quarter, we have slowed down and stopped work performed on the constellation project for Sky and Space Global as the outstanding amount was not paid as anticipated during the quarter. We therefore do not follow the original plan and a re-start of the project will require an increase in capacity. Resources were move to other customer projects and in-house development, however, this has not in full compensated for the expected revenue. On the other hand, sales to new customers has increase during the fourth quarter as well as we experienced an improvement in the delivery capacity of product sales of parts, units and subsystems.

Almost half of the revenue in the fourth quarter is generated by European customers in the commercial segment. The Group expects to increase sales both geographically and in the segments Academia, Defense and Science in the coming years in order to strengthen the business.

In the fourth quarter, sales to new customers represented 49% of revenues compared to 35% of revenues in the fourth quarter of 2017.

1 JANUARY – 31 DECEMBER 2018 (2017)

Revenues for the year 2018 amounted to T.SEK 153,384 (96,405), corresponding to an increase of 59% compared with the same period in 2017. The revenue includes a correction, T.SEK 16,822 (8,033), eliminating partial revenue from the associated entity, Aerial & Maritime Ltd. Had this adjustment not been carried out, the total underlying growth would have been 63%. Sky and Space Global constitutes 23% of total revenue in 2018 whereas Aerial & Maritime Ltd. constitutes 19% of total revenue and Kleos Space constitutes 13% of total revenue.

In 2018, sales to new customers represented 21% of revenues compared to 31% of revenues in 2017.

Expenses**1 OCTOBER – 31 DECEMBER 2018 (2017)**

Operating expenses for the fourth quarter of 2018 amounted to T.SEK 84,570 (52,715), corresponding to an increase of 60%. Sales, distribution, development and administrative costs increased to T.SEK 46,712 (30,778), corresponding to an increase of 52%. Our sales and administrative costs have increased as expected according to our business plan, however, costs of goods sold and costs for development activities have increased significantly, primarily due to overcapacity.

Compared to the fourth quarter of 2017 administrative costs as well as sales and distributions costs have increased, though when comparing to the general growth of the business in terms of revenue, the percentage has lowered, but not as much as expected.

1 JANUARY – 31 DECEMBER 2018 (2017)

Operating expenses for the year 2018 amounted to T.SEK 270,687 (164,015), corresponding to an increase of 65%. Sales, distribution, development and administrative costs increased to T.SEK 155,852 (94,494), corresponding to an increase of 65%. During the year, a strengthening of the support functions, such as HR and Quality Assurance was performed. Our capacity exceeds our activity level which results in low capacity utilization. This overcapacity resulted in offboarding of several employees in the fourth quarter which is expected to have a marginal effect on costs at the end of the first quarter 2019 and full effect in the second quarter 2019. Employees were also offboarded in January and this is expected to have a marginal effect on costs from the end of the second quarter 2019 and full effect in the third quarter 2019. The offboarding was performed as part of a strategy to optimize the organization to our business in 2019 and ahead.

Profitability

1 OCTOBER – 31 DECEMBER 2018 (2017)

In the fourth quarter 2018, gross profit amounted to T.SEK 2,359 (7,682), corresponding to a decrease of 69% compared with the same period in 2017. In the fourth quarter 2018, the gross margin is 6% compared with the same period in 2017 where the gross margin was 26%. The impact of partial elimination is a decrease of T.SEK 1,322. The underlying gross margin without partial elimination is 9%.

Gross margin is mainly affected by the above-mentioned reallocation of employees to other projects as well as non-revenue generating activities.

In the fourth quarter 2018, operating loss amounted to T.SEK 44,514 (operating loss 23,096).

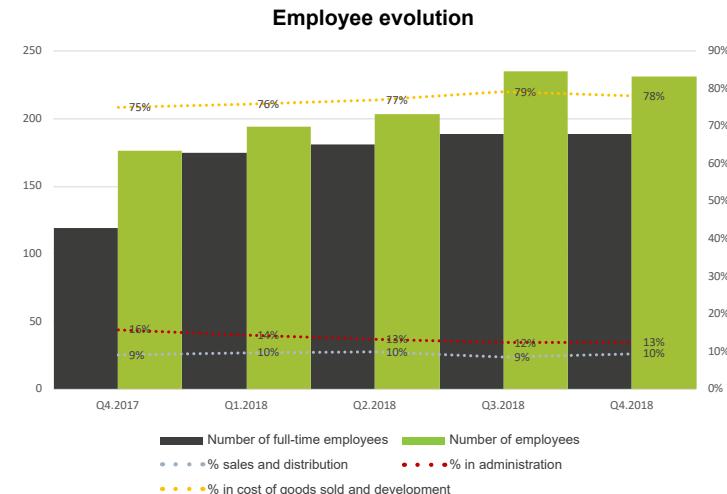
1 JANUARY – 31 DECEMBER 2018 (2017)

In the year 2018, gross profit amounted to T.SEK 38,549 (26,884), corresponding to an increase of 43% compared with the same period in 2017. In the year 2018, the gross margin is 25% compared with the same period in 2017 where the gross margin was 28%. The impact of partial elimination is a decrease of T.SEK 13,050. The underlying gross margin without partial elimination is 30%.

In the year 2018, operating loss amounted to T.SEK 116,601 (operating loss 67,610).

Employees

As at 31 December, GomSpace Group AB had 231 (176) employees, corresponding to 199 (119) full-time/year employees. Employees working within cost of goods sold and in development were a total of 180 (132), with sales and distribution 22 (16), and in administration there were 29 (28) employees. Employees within manufacturing increased more than in other areas, and thereby this group of employees constitute almost a third of employees working within cost of goods sold and in development.



Share of profit from associates

In the fourth quarter 2018, the share of profit from associates amounts to a negative T.SEK 687 (a positive 5,610) which is a share of the result from Aerial & Maritime Ltd. In the year 2018, the share of profit from associates amounts to a negative T.SEK 2,112 (a positive 4,591).

Financial income and expenses

1 OCTOBER – 31 DECEMBER 2018 (2017)

Net financial items for the fourth quarter of 2018 had a negative effect on profit, mainly due to exchange rate adjustments. Net financial items amounted to a negative T.SEK 4,253 (a positive 141).

1 JANUARY – 31 DECEMBER 2018 (2017)

Net financial items for year 2018 had a negative effect on profit. Net financial items amounted to a negative T.SEK 4,098 (a negative 3,496).

Tax and deferred tax

1 OCTOBER – 31 DECEMBER 2018 (2017)

The Group recognized a deferred tax asset at a total amount of a positive T.SEK 2,204 (a negative 1,774) relating to tax loss carry-forward. The positive amount in the fourth quarter is due to reconsidering the use of the tax loss carry-forward in the coming two-three years in relation to the new long-term ambitions. The parent company, GomSpace Group AB, recognized a deferred tax asset at a total amount of T.SEK 2,039 (129) in the fourth quarter of 2018 relating to tax loss carry-forward.

GomSpace Group had an effective tax rate of -8.5% (30.3%) in the fourth quarter 2018 due to reversal of deferred tax related to tax loss carry-forward.

1 JANUARY – 31 DECEMBER 2018 (2017)

The Group recognized a deferred tax asset at a total amount of T.SEK 21,220 relating to tax loss carry-forward. The parent company, GomSpace Group AB, recognized a tax loss carry-forward at a total amount of T.SEK 3,520 (2,255) in 2018.

GomSpace Group had an effective tax rate of 8.4% (18.8%) in 2018.

Shareholder's equity

As at 31 December 2018, total shareholder's equity amounted to T.SEK 441,843 (185,315). On 11 December, the Group issued 23.93 million new shares and received T.SEK 251,289 in relation to a rights issue. Costs in relation to the rights issue amounted to T.SEK 15,371 and are deducted in the share premium. In the year 2018, an amount of T.SEK 6,663 (6,143) is recognized as share-based payments in relation to the warrant program established for the Group's employees.

Investments

1 OCTOBER – 31 DECEMBER 2018 (2017)

Investments in intangible assets amounted to T.SEK 17,566 (18,633) whereas investments in property, plant and equipment amounted to T.SEK 9,356 (9,193). The main investment in intangible assets is related to in-house development projects for customer cases and includes work on our projects portfolio as well as work on improving management of performance and constellations. It is a continuation of ongoing investment projects.

Investments in property, plant and equipment are mainly related to new production equipment for the new production facilities.

1 JANUARY – 31 DECEMBER 2018 (2017)

Investments in intangible assets amounted to T.SEK 65,477 (38,908) in relation to in-house development for customer cases. Investments in property, plant and equipment amounted to T.SEK 25,349 (18,500). Major investments were related to building up the new production area for large scale manufacturing of satellites.

Cash and cash equivalents, financing and financial position

1 OCTOBER – 31 DECEMBER 2018 (2017)

Cash flow from operating activities amounted to a negative T.SEK 11,701 (a positive 15,614).

Working capital is increasing but is negatively affected by trade receivables and contract work. Working capital is positively affected by Other liabilities. Other liabilities are affected positively by costs related to the rights issue which are due for payment in 2019. Trade receivables are negatively affected by missing payment of overdue invoices at an amount of T.SEK 33,317 to our customer Sky and Space Global. The invoices cover payment for the Critical Design Review, T.SEK 20,551, and payment for Batch 1, T.SEK 12,766. The invoices are overdue and therefore trade receivables affect working capital negatively. We expect to receive the remaining overdue amount within a few days following documentation of a bank transfer received from Sky and Space Global.

Cash flow from investing activities amounted to a negative T.SEK 22,321 (a negative 25,120). The main part of the investment activities is related to in-house development projects.

1 JANUARY – 31 DECEMBER 2018 (2017)

Cash flow from operating activities amounted to a negative T.SEK 102,548 (a negative 8,406) during the year 2018.

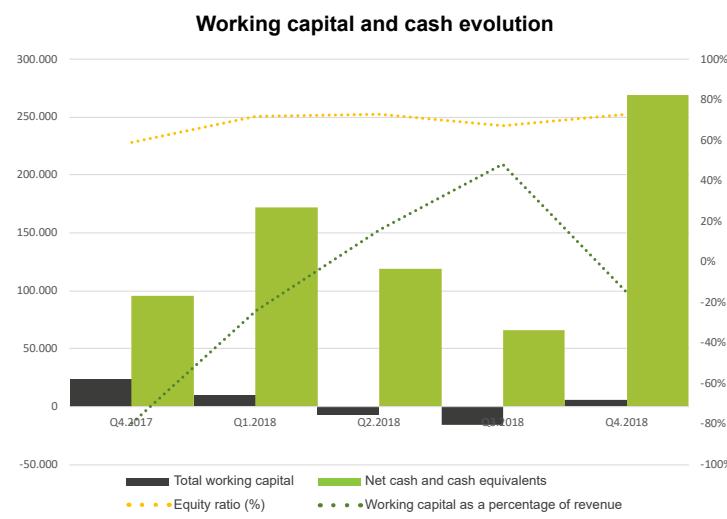
Cash flow from investing activities amounted to a negative T.SEK 81,804 (a negative 79,940).

Cash flow from financing activities amounted to T.SEK 357,144 (110,018). The financing activities are related to the share issue from 8 March which amounted to T.SEK 120,399 and the rights issue from December which amounted to T.SEK 235,918.

Cash and cash equivalents amounted to T.SEK 269,418 (95,567) at the end of the fourth quarter. GomSpace Group's working capital totalled T.SEK 6,010 (23,606).

Risks

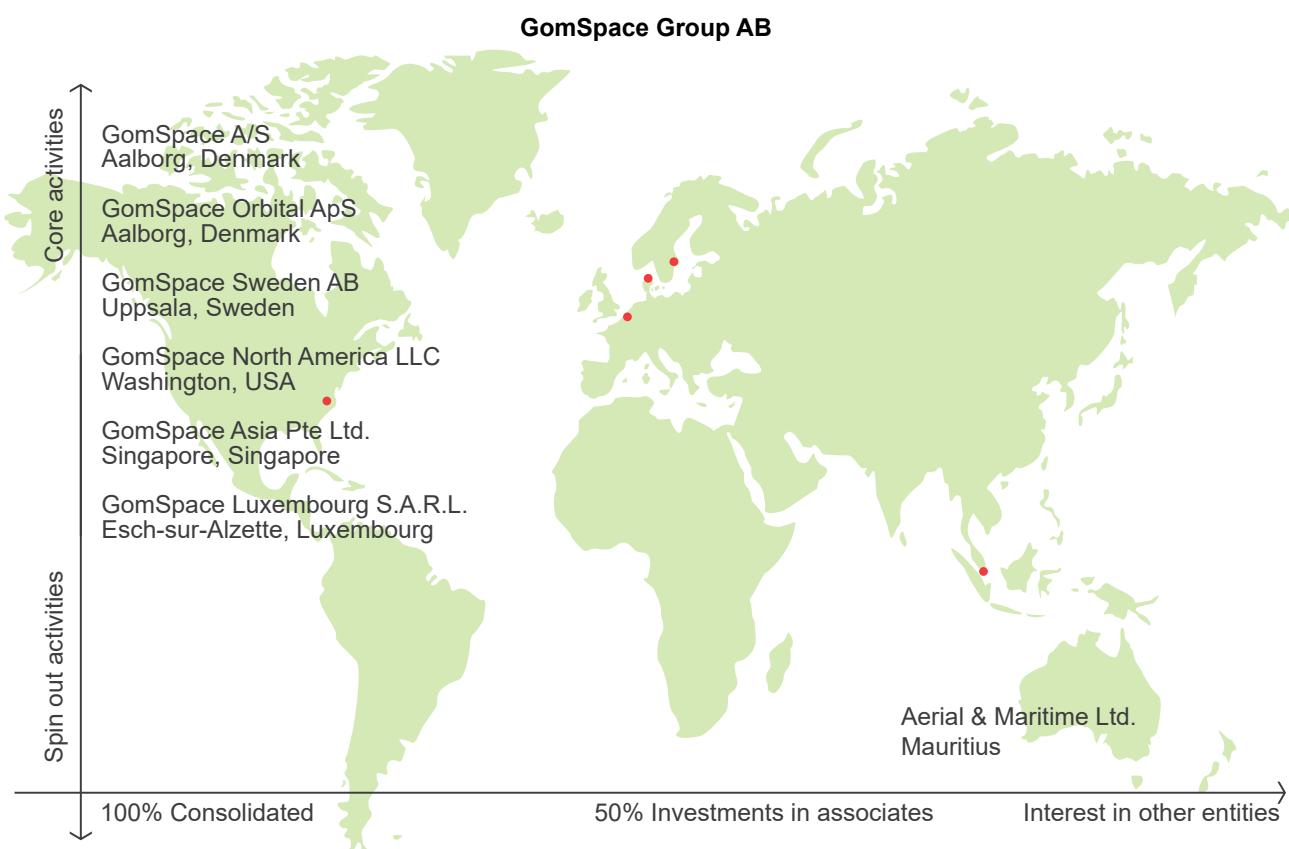
The Group is exposed to credit risks and other financial risks, such as market risks, including foreign exchange, interest and liquidity risks. These risks are described in the Annual Report and in the Consolidated Financial Statements for 2017.



Parent Company

The parent company had total revenues of T.SEK 6,117 (6,046) in the fourth quarter of 2018 and T.SEK 24,893 (21,482) for the year 2018. The parent company incurred total costs of T.SEK 23,105 (7,582) in the fourth quarter and T.SEK 51,434 (27,849) for the year 2018. A total of T.SEK 19,971 (5,454) is attributable to the capital increases and has been deducted from the share premium. The operating result for the fourth quarter 2018 is a negative T.SEK 1,618 (a negative 1,536) and a negative T.SEK 6,570 (a negative 6,367) for the year 2018. The net loss for the fourth quarter is T.SEK 454 (profit of 423) and a net loss of T.SEK 5,703 (a net loss of 2,112) for the year 2018.

The Group consists of GomSpace Group AB (Reg. No. 559026-1888), GomSpace A/S (Reg. No. 30899849), GomSpace Sweden AB (Reg. No. 556643-0475), GomSpace Orbital ApS (Reg. No. 38173561), GomSpace Asia Pte Ltd (Reg. No. 201707094C), GomSpace North America LLC (Reg. No. S667083-2) and GomSpace Luxembourg S.A.R.L. (No. B218666).



Market Development

A Disruptive Technology

Small satellites (smallsats) are a disruptive technology in the process of transforming the status quo when it comes to satellite-based solutions and applications.

Like many other disruptive technologies; at the onset, they seem not to be a serious threat towards the established markets, but over time they will pick up capability and start eating into the main stream markets and eventually come to dominate these. This is the classical “Innovator’s Dilemma” as described by Clayton Christensen and as experienced in many markets – we expect nanosatellites to become another text book example.

Indeed, the first nanosatellites launched in 2003 as university projects were not much more capable than the Sputnik satellite of 1957. Since then, however, development has moved the technology far along and nano-satellites are now without doubt making inroads in the mainstream markets – with more disruption to come.

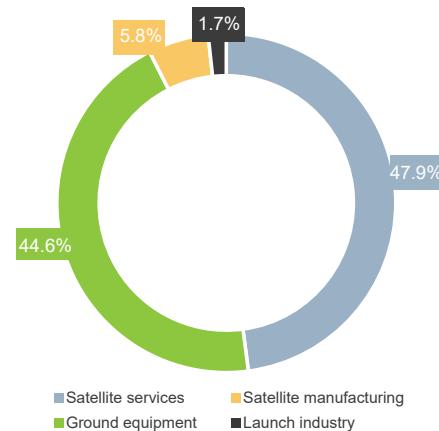
The total revenue in the satellite market, considering the full value chain, is considered at USD 268 billion per year (SIA, 2018) and as of today only a very small fraction hereof is supported by smallsats, meaning there is a lot of room in the existing market to capture revenue with the smallsat technology. See figure below for a break down of the activity to the constituents of the value chain.

In recent years, traditional satellite communication (SATCOM) providers relying on large geostationary satellites have come under pressure as prices are dropping* due to changing consumer preferences (on demand vs. broadcast) and the rapid deployment of high bandwidth terrestrial networks. This provides an environment for the coming years that can help further accelerate smallsat technology adoption as traditional SATCOM providers will be looking for new business models and lower cost technology to adapt to the changing market dynamics.

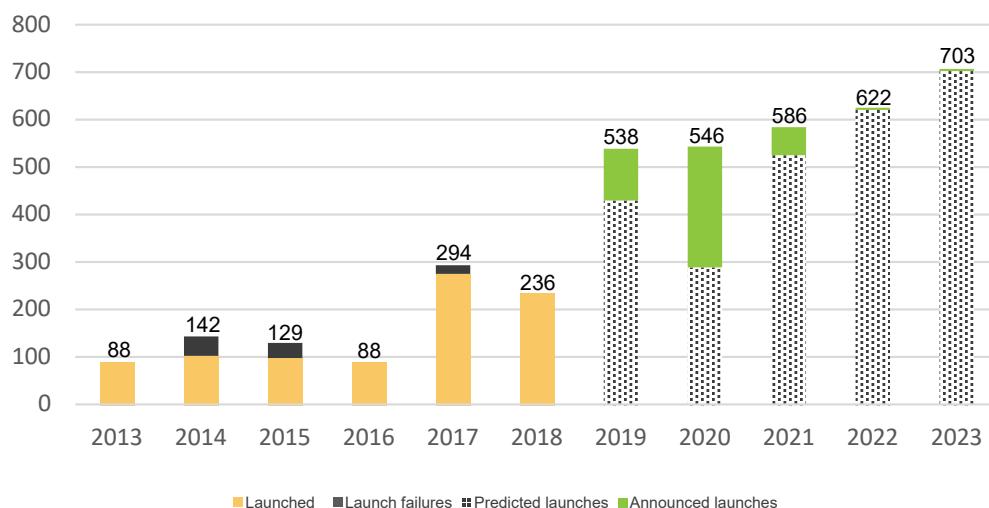
Recent Launch Performance

Out of the 345 satellites that were launched in 2017, nanosatellites accounted for 85.2 percent. The corresponding rate for 2016 was 69.8 percent (Source: 2018 State of the Satellite Industry Report). In 2017, the commercial sector accounted for 71 percent of the nanosatellite launches in contrast to earlier years where nanosatellite missions have been more focused on education and basic technology development (Source: www.nanosats.eu).

The global satellite industry 2017



Number of launched nanosatellites



* <https://spacenews.com/satellite-capacity-prices-down-60-percent-in-some-cases-and-still-dropping/>

Market Development

Within the commercial missions, a significant portion of the satellites relates to Planet's Earth observation constellation, but communication services are growing very rapidly with 22% of last year's satellites vs. 4% historically.

Generally, when measuring nanosatellites by launch mass, the mass is getting larger which is in line with GomSpace's development efforts as operational requirements increase the need for power generation and design margins.

Market Outlook

More than 7,000 small satellites are expected to be launched over the next 10 years, driven by anticipated roll-out of multiple constellations, mainly for commercial operators, which are expected to account for more than 70% of that total. (Source: Prospects for the small satellite market, Euroconsult 2018).

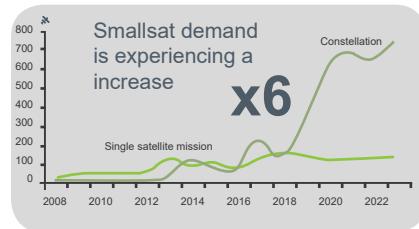


Figure: Smallsat demand 2008-2022 (Source: Prospects for the small satellite market, Euroconsult 2018)

The dominant applications for constellations will be:

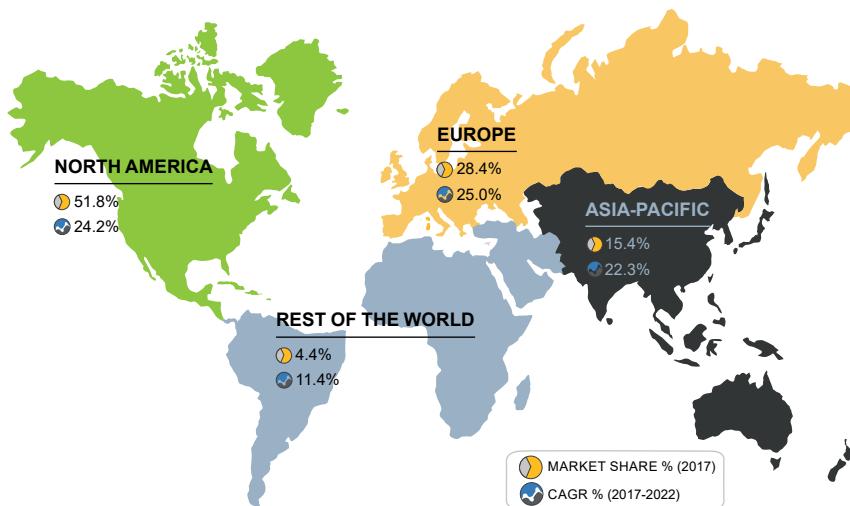
- Satellite Communication should have the strongest growth with close to 3,500 satellites expected from 2018-2027.
- Information includes the constellations that provide narrowband services for AIS, ADS-B, IoT or Machine to Machine (M2M) communication. It is a growing market with 850 satellites from several companies raising capital or launching demonstrators within the next 2 years.
- Earth Observation will increase significantly, from 540 units in the past to 1,400 satellites anticipated from 2018 to 2027

The nanosatellite and microsatellite market is expected to grow from USD 1.21 billion in 2017 to USD 3.49 billion by 2022, equivalent to a compound annual growth rate of 23.7 percent**.

The recent successful development in the launcher market of making dedicated nanosatellite launch vehicles operational will help support the growth*** and ensure that future constellations can be deployed both cost and time effectively.

Capturing the Market Opportunities

As a pioneer and innovator in the market, GomSpace, through its own actions, is a significant force in driving the growth in the market as our investments in satellite platform technology, network technology and payload technology enable new opportunities for our customers. This has for instance been demonstrated in our activities related to space-based aircraft tracking – and GomSpace continues to research new instruments and applications areas to be served by our technology.



** "Nanosatellite and Microsatellite Market by Component (Hardware, Software & Data Processing, Services, Launch Services), Mass (1 kg-10 kg and 11 kg-100 kg), Application (Earth Observation & Remote Sensing), Vertical - Global Forecast to 2022", 2017, a market report published by MarketsAndMarkets.

*** <https://www.space.com/42411-rocket-lab-launches-first-commercial-mission.html>

We expect GomSpace's growth to remain significantly above the market CAGR due to:

- Our focus on radio technology-related missions which in general scale to constellations with more satellites than other application areas.
- Our success in acquiring customers early on and helping them through in-orbit demonstrations before scaling their constellations, leading to market traction with contracts to leading constellations customers, incl. Sky and Space Global Ltd., AISTECH as well as Aerial and Maritime Ltd.
- Our continued investments in new technology and products to demonstrate and enable new applications, and our commitment with the GOMX flight program to demonstrate new capabilities in space de-risking the technology for future constellations.

Further, our announcement to establish satellite operations services out of Luxembourg over time will extend the scope of our offerings to address a larger part of the value chain. Our new products will ensure that the scalability of satellite operations will not become a bottleneck for the market development, and with integrated big data analysis and intelligence we can help our customer continuously optimize system performance and the business case over the lifetime of the satellites.

Many new applications and opportunities for nanosatellites will be developed in the coming years, both due to our investments (see Product Development section) and the estimated over 200 academic and commercial organizations worldwide doing research in this area.

We also see an emerging trend; the established space agencies are beginning to prioritize the use of small satellites in future science and exploration projects, e.g. as exemplified by NASA's recent MarCO mission to Mars. While such opportunities will not match commercial opportunities in the number of satellites or total revenue potential, this emerging market for the nanosatellite technology offers a robust revenue opportunity and higher revenue per satellite. The challenges posed by these missions will result in new developments which can subsequently be industrialized in the commercial domain.

Potential Barriers to Growth

Given the growth in space activities and the number of market participants, regulatory issues relating to spaceflight, incl. launch, satellite and frequency approvals, are becoming increasingly important, and regulatory bodies are becoming more active in overseeing activities.

As a mature player in the market, we welcome this trend as adequate and competent regulation will ensure sustainability of the market, e.g. by avoiding congestion in space by establishing "traffic rules". It will also increase market entry barriers for new market entrants, however, GomSpace has already the required expertise to work proactively in this area.

Finally, growth in the sector and utilization of the disruptive potential of the technology relies on availability of financing for our customers. The outlook for financing continues to be positive, but as competition and sector maturity increases, financiers are naturally expecting more depth from business and technology plans before committing investments****.

**** <https://spacenews.com/surge-of-new-space-companies-has-impressed-even-veteran-industry-observers/>

Product Development

Continued focus for our product roadmap and associated technology plan has been to support our market strategy to increase the number of applications supported by nanosatellites as well as maturing technologies critical for new business applications and spin-offs.

Reliability

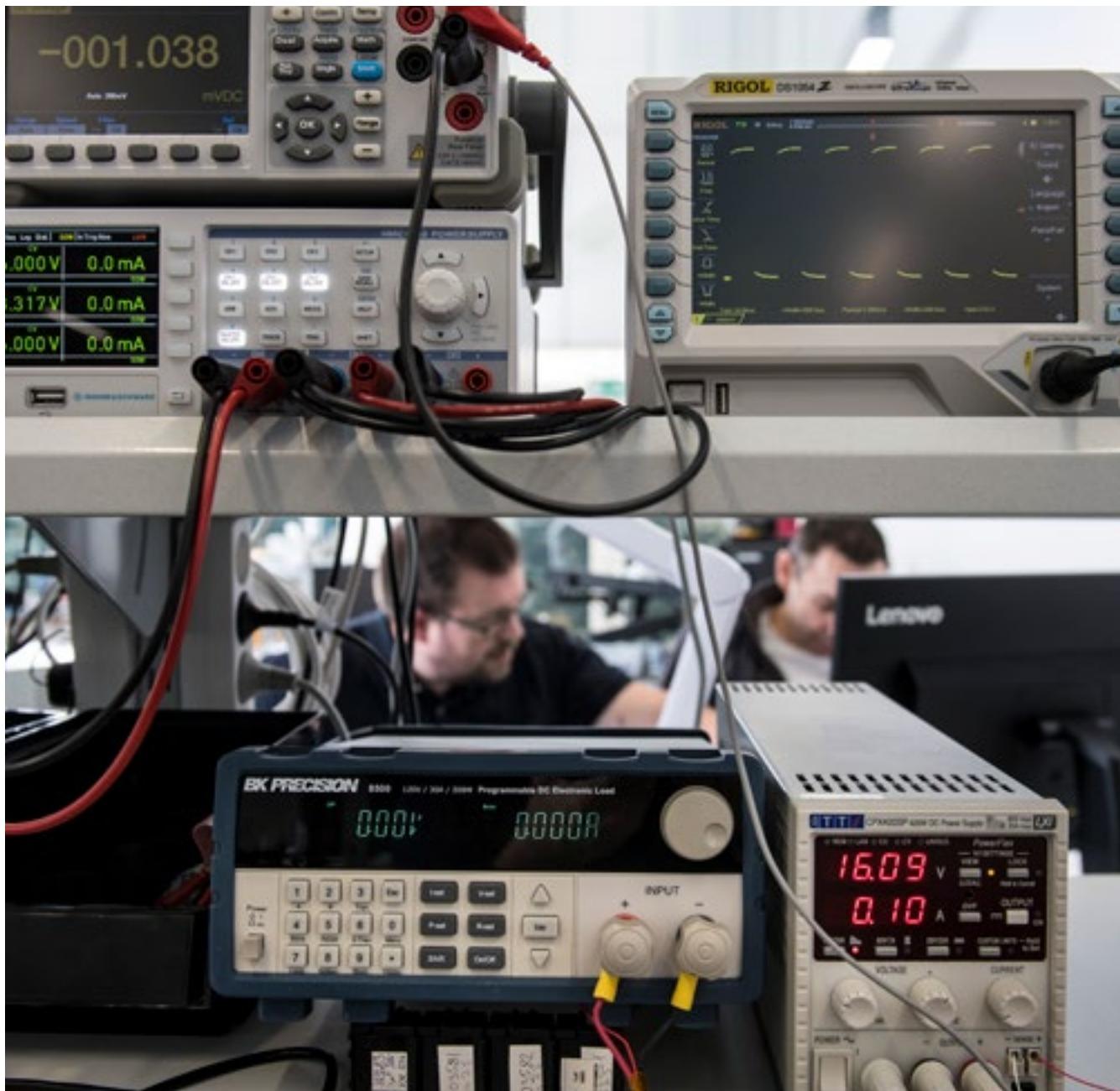
For commercial applications moving beyond In-Orbit demonstrations, it is key to understand the reliability of nanosatellites in Low Earth Orbit. To support this, we continuously work to ensure operational life of 5 years and beyond. This is achieved and documented through GomSpace's proprietary test and qualification processes. The GomSpace test schemes are continuously refined and optimized to support reliable missions based on nanosatellites.

Radio technology

GomSpace possesses unique competencies within radio technology and software defined radios as well as knowledge about radio links in space. GomSpace is expanding its radio product platform for space-to-ground as well as space-to-space applications and will introduce new antennas and new improved powerful radios within the coming year.

Constellation management

In our Luxembourg facility, development of software for management of large constellations of satellites is continuing according to plan. The software will be available for commercial applications by mid-2019.





Group - Key Figures and Ratios

	2018 Jan-Dec T.SEK	2017 Jan-Dec T.SEK
KEY FIGURES		
Net revenue	153,384	96,405
Gross profit	38,549	26,884
Operating profit (loss)	-116,601	-67,610
Share of profit from associates	-2,112	4,591
Net financial items	-4,098	-3,496
Profit (loss) before tax	-122,811	-66,515
Profit (loss) for the period	-112,498	-53,989
Investments in PPE	25,349	18,550
Total assets	608,542	313,069
Equity	441,843	185,315
Total liabilities	166,699	127,754
RATIOS		
Gross margin	25%	28%
Operating margin	-76%	-70%
Net margin	-73%	-56%
Return on invested capital (%)	-18%	-17%
Return on equity (%)	-36%	-33%
Equity ratio (%)	73%	59%
Earnings per share, basic, SEK	-3.93	-2.09
Earnings per share, diluted, SEK	-3.93	-2.08
Number of outstanding shares basic, average	28,620,451	25,805,411
Number of outstanding shares as at 31 December 2018	52,274,803	26,257,334

Definition of key figures and ratios are defined in Note 1.

Consolidated Income Statement

	Note	2018 Oct-Dec T.SEK	2017 Oct-Dec T.SEK	2018 Jan-Dec T.SEK	2017 Jan-Dec T.SEK
Net revenue	4	40,217	29,619	153,384	96,405
Cost of goods sold		-37,858	-21,937	-114,835	-69,521
Gross profit		2,359	7,682	38,549	26,884
Sales and distribution costs		-11,982	-10,491	-38,310	-30,996
Development costs		-18,715	-7,606	-58,119	-25,277
Administrative costs		-16,015	-12,681	-59,423	-38,221
Other operating income		-161	0	702	0
Operating profit (loss)		-44,514	-23,096	-116,601	-67,610
Share of profit from associates		-687	5,610	-2,112	4,591
Finance income		-3,160	2,439	7,517	3,468
Finance expenses		-1,093	-2,298	-11,615	-7,566
Profit (loss) before tax		-49,454	-17,345	-122,811	-66,515
Tax		-4,203	5,260	10,313	12,526
Profit (loss) for the period		-53,657	-12,085	-112,498	-53,989
Profit (loss) is attributable to:					
Owners of GomSpace Group AB		-53,657	-12,085	-112,498	-53,989
		-53,657	-12,085	-112,498	-53,989
Consolidated Statement of Comprehensive Income					
Profit (loss) for the period		-53,657	-12,085	-112,498	-53,989
Items which may be reclassified to the income statement:					
Foreign exchange rate adjustments		3,035	-2,669	6,026	-2,867
Other comprehensive income for the period, net of tax		3,035	-2,669	6,026	-2,867
Total comprehensive income for the period		-50,622	-14,754	-106,472	-56,856
Total comprehensive income for the period is attributable to:					
Owners of GomSpace Group AB		-50,622	-14,754	-106,472	-56,856
		-50,622	-14,754	-106,472	-56,856
Earnings per share, basic, SEK		-1.73	-0.46	-3.93	-2.09
Earnings per share, diluted, SEK		-1.73	-0.46	-3.93	-2.08
Number of outstanding shares basic, average		30,942,204	26,257,334	28,620,451	25,805,411
Number of outstanding shares diluted, average		30,942,204	26,447,701	28,620,451	25,896,226

Consolidated Statement of Financial Position

	Note	2018 31 Dec T.SEK	2017 31 Dec T.SEK
Goodwill		3,170	3,710
Technology		10,200	11,000
Completed development projects		20,301	6,363
In process development projects		70,412	26,576
Other intangible assets		13,950	18,425
Intangible assets	6	118,573	66,074
Property, plant and equipment		37,911	21,333
Right to use assets		0	0
Property, plant and equipment	7	37,911	21,333
Investments in associates		34,599	41,892
Deferred tax		12,373	9,297
Other non-current assets		3,853	3,376
Non-current assets		16,226	12,673
Total non-current assets		207,309	141,972
Raw materials and consumables		30,050	9,763
Prepayments for inventories		4,719	0
Inventories		34,769	9,763
Contract work		30,095	22,237
Trade receivables		51,811	30,765
Tax receivable		7,913	5,426
Other prepayments		3,096	1,500
Other receivables		4,131	5,830
Receivables		97,046	65,758
Marketable securities		0	9
Cash and cash equivalents		269,418	95,567
Total current assets		401,233	171,097
Total assets		608,542	313,069

	2018 31 Dec T.SEK	2017 31 Dec T.SEK
Share capital	3,660	1,839
Share premium	581,652	227,136
Translation reserve	4,244	-1,782
Retained earnings	-147,713	-41,878
Total equity	441,843	185,315
Credit institutions	23,403	29,201
Other non-current loans	2,890	0
Deferred taxes	0	0
Total non-current liabilities	26,293	29,201
Current portion of non-current liabilities	9,895	4,794
Trade payables and other payables	15,390	16,326
Contract work	48,988	38,391
Prepayments	14,103	7,953
Corporation tax	599	58
Other liabilities	51,431	31,031
Total current liabilities	140,406	98,553
Total liabilities	166,699	127,754
Total equity and liabilities	608,542	313,069

Consolidated Statement of Changes in Equity

	Share capital T.SEK	Share premium T.SEK	Translation reserve T.SEK	Retained earnings T.SEK	Total equity T.SEK
Equity 01.01.2017	1,716	137,337	1,085	5,968	146,106
Total comprehensive income for the period	0	0	-2,867	-53,989	-56,856
Total comprehensive income for the period	0	0	-2,867	-53,989	-56,856
Transactions with owners in their capacity as owners					
IPO costs	0	-550	0	0	-550
Increase in share capital	123	95,253	0	0	95,376
Increase in share capital, costs	0	-4,904	0	0	-4,904
Share-based payments	0	0	0	6,143	6,143
	123	89,799	0	6,143	96,065
Equity 31.12.2017	1,839	227,136	-1,782	-41,878	185,315
Equity 01.01.2018	1,839	227,136	-1,782	-41,878	185,315
Total comprehensive income for the period	0	0	6,026	-112,498	-106,472
Total comprehensive income for the period	0	0	6,206	-112,498	-106,472
Transactions with owners in their capacity as owners					
Increase in share capital	1,821	374,487	0	0	376,308
Increase in share capital, costs	0	-19,971	0	0	-19,971
Share-based payments	0	0	0	6,663	6,663
	1,821	354,516	0	6,663	363,000
Equity 31.12.2018	3,660	581,652	4,244	-147,713	441,843

Consolidated Cash Flow Statement

	2018 Oct-Dec T.SEK	2017 Oct-Dec T.SEK	2018 Jan-Dec T.SEK	2017 Jan-Dec T.SEK
Profit (loss) before tax	-49,454	-17,345	-122,811	-66,515
Reversal of financial items	4,222	-141	4,099	3,496
Depreciation and amortizations	7,136	3,407	20,501	8,666
Result after tax from associates	687	987	2,112	987
Non-cash items	-1,732	-6,089	10,552	592
Changes in inventories	370	-2,557	-24,658	-5,497
Changes in trade receivables	-600	-13,931	-18,019	-16,832
Changes in other receivables	-13,264	2,346	-6,780	6,012
Changes in trade and other payables	36,614	45,894	30,728	59,814
Cash flow from primary operating activities	-16,021	12,571	-104,276	-9,277
Received interest financials	0	-1,636	2	1
Paid interest financials cost	-961	3,626	-3,564	-1,388
Tax received	5,349	1,090	5,498	2,404
Tax paid	-68	-37	-208	-146
Cash flow from operating activities	-11,701	15,614	-102,548	-8,406
Investments in intangible assets	-17,566	-18,633	-65,477	-41,923
Investments in leasehold improvement, plant and equipment	-9,356	-9,193	-25,349	-18,500
Deposit paid	-263	-260	-371	-3,617
Government grants	4,852	7,133	9,366	8,173
Proceeds from sale of marketable securities	0	0	10	0
Proceeds from sale of non-current assets	12	15	17	41
Investments in associates	0	-4,182	0	-24,114
Cash flow from investing activities	-22,321	-25,120	-81,804	-79,940
<i>Financing from debt:</i>				
Borrowings	4,128	26,982	4,128	26,982
Repayment of borrowings	-1,604	-5,648	-3,301	-6,885
	2,524	21,334	827	20,097
<i>Financing from shareholders:</i>				
Capital increase	251,289	0	376,289	95,375
Capital increase, costs	-15,371	0	-19,972	-5,454
	235,918	0	356,317	89,921
Cash flow from financing activities	238,442	21,334	357,144	110,018
Net cash flow for the period	204,420	11,828	172,792	21,672
Cash and cash equivalents, beginning of the period	47,810	71,928	84,170	59,803
Unrealized exchange rate gains and losses on cash	-602	414	1,059	92
Change in bank deposit for security	-2,874	0	-9,267	2,603
Cash and cash equivalents, end of the period	248,754	84,170	248,754	84,170
Reconciliation of cash and cash equivalents				
Cash and cash equivalents according to the balance sheet	269,418	95,567	269,418	95,567
Bank deposit for security	-20,664	-11,397	-20,664	-11,397
Cash and cash equivalents according to the cash flow statement	248,754	84,170	248,754	84,170

Parent Company Income Statement

	2018 Oct-Dec T.SEK	2017 Oct-Dec T.SEK	2018 Jan-Dec T.SEK	2017 Jan-Dec T.SEK
Net revenue	6,117	6,046	24,893	21,482
Gross profit	6,117	6,046	24,893	21,482
Administrative costs	-7,735	-7,582	-31,463	-27,849
Operating profit (loss)	-1,618	-1,536	-6,570	-6,367
Finance income	1,431	2,106	2,115	2,378
Finance expenses	-51	-18	-2,513	-379
Profit (loss) before tax	-238	552	-6,968	-4,368
Tax	-216	-129	1,265	2,256
Profit (loss) for the period	-454	423	-5,703	-2,112
Profit (loss) is attributable to:				
Owners of GomSpace Group AB	-454	423	-5,703	-2,112
	-454	423	-5,703	-2,112
Statement of Comprehensive Income				
Profit (loss) for the period	-454	423	-5,703	-2,112
Items which may be reclassified to the income statement:				
Other comprehensive income for the period, net of tax	0	0	0	0
Total comprehensive income for the period	-454	423	-5,703	-2,112

Parent Company Statement of Financial Position

	2018 31 Dec T.SEK	2017 31 Dec T.SEK
GomSpace A/S	245,846	110,971
GomSpace Sweden AB	45,056	34,056
GomSpace Orbital ApS	65	65
GomSpace Luxembourg S.A.R.L.	115	115
GomSpace Asia Pte Ltd.	2,142	2,142
GomSpace North America LLC	1,105	1,105
Investments in subsidiaries	294,329	148,454
 Aerial & Maritime Ltd.	24,115	24,115
Investments in associates	24,115	24,115
 Fixed asset investments	318,444	172,569
Deferred tax	3,520	2,255
Other non-current assets	3,520	2,255
 Total non-current assets	321,964	174,824
Trade receivables from subsidiaries	29,212	11,523
Trade receivables from associates	421	111
Other prepayments	9	153
Other receivables	138	120
Receivables	29,780	11,907
 Cash and cash equivalents	254,966	38,144
 Total current assets	284,746	50,051
 Total assets	606,710	224,875
 Share capital	3,660	1,839
Share premium	578,364	223,622
Retained earnings	-1,378	-2,112
Total equity	580,646	223,349
 Payables to subsidiaries	10,382	111
Payables to associates	0	0
Trade payables and other payables	105	826
Other liabilities	15,577	589
Total current liabilities	26,064	1,526
 Total liabilities	26,064	1,526
 Total equity and liabilities	606,710	224,875

Parent Company Statement of Changes in Equity

	Share capital T.SEK	Share premium T.SEK	Retained earnings T.SEK	Total equity T.SEK
Equity 01.01.2017	1,716	134,049	-6,368	129,397
Total comprehensive income for the period	0	0	-2,112	-2,112
IPO costs	0	-550	0	-550
Increase in share capital	123	95,253	0	95,376
Increase in share capital, costs	0	-4,904	0	-4,904
Share-based payments	0	0	6,142	6,142
	123	89,799	4,030	93,952
Equity 31.12.2017	1,839	223,848	-2,338	223,349
Equity 01.01.2018	1,839	223,848	-2,338	223,349
Total comprehensive income for the period	0	0	-5,703	-5,703
Increase in share capital	1,821	374,487	0	376,308
Increase in share capital, costs	0	-19,971	0	-19,971
Share-based payments	0	0	6,663	6,663
Total comprehensive income for the period	1,821	354,516	960	357,297
Equity 31.12.2018	3,660	578,364	-1,378	580,646



Notes to the Interim Consolidated Financial Statements

1. Accounting policies

Basis of preparation

The interim consolidated financial statements for the fourth quarter of 2018 have been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The parent company applies the Swedish Annual Accounts Act and RFR 2 Reporting for legal entities.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2017.

Key ratios definitions

Gross margin	=	$\frac{\text{gross profit}}{\text{net revenue}}$
Operating margin	=	$\frac{\text{operating profit}}{\text{net revenue}}$
Net margin	=	$\frac{\text{profit}}{\text{net revenue}}$
Return on invested capital	=	$\frac{\text{profit}}{\text{total assets}}$
Return on equity	=	$\frac{\text{profit}}{\text{average equity}}$
Equity ratio	=	$\frac{\text{equity}}{\text{total assets}}$
Earnings per share, basic	=	$\frac{\text{profit}}{\text{number of shares basic, average}}$
Earnings per share, diluted	=	$\frac{\text{profit}}{\text{number of shares diluted, average}}$
Working capital	=	Inventory + Contract work + Trade receivables + Other prepayments + Other receivables - Trade payables and other payables - Contract work - Prepayments - Other liabilities

2. New standards adopted by the Group

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements as at 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers that require restatement of the opening balance. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim consolidated financial statements of the Group.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied IFRS 9 prospectively, with the initial application date of 1 January 2018.

Adopting IFRS 9 has no effect for the Group.

Under IFRS 9, the Group initially measures trade receivables as a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortized cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The new classification and measurement of the Group's debt financial assets are as follows:

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognized in the income statement.

Impairment

The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For Contract assets and Trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payment is 90 days past due, however, this does not necessarily mean the asset is written down when the 90 days are past due as there is still a possibility that payment will be made. In the same manner, assets may be written down before the 90 days are past due as there is a possibility that payment will not be made. The Group may consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The adoption of the ECL requirements of IFRS 9 resulted in no changes in impairment allowances of the Group's debt financial assets.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective method of adoption. The adopting of IFRS 15 has no effect on the consolidated financial statements for the Group.

The Group is in the business of providing satellite solutions, platforms, payloads and subsystems. The equipment and services are sold both on their own in separately identified contracts with customers and together as a bundled package of goods and/or services.

Sales of satellite solutions, platforms, payloads and subsystems

The Group is in the business of providing satellite solutions as well as sales of platforms, payloads and subsystems for nanosatellites. Platforms, payloads and subsystems are either sold as separate components to customers, integrated as a platform or as turnkey nanosatellite solutions. It has been determined that satellite solutions and platforms, payloads and subsystems meet the criteria to recognize revenue over time on a percentage of completion basis. This is due to the customization of components according to customer specifications (selected options) which means that GomSpace has no alternative use for the components once customization commences and therefore GomSpace has a right to payment regarding work completed to date. Other sales are recognized at point in time. The Group's contracts with customers for the sale of satellite solutions, platforms, payloads and subsystems generally include one performance obligation. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition.

Warranty obligations

The Group provides warranties for general repairs of defects that existed at the time of sale, as required by law. As such, most warranties are assurance-type warranties under IFRS 15, which the Group accounts for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, consistent with its practice prior to the adoption of IFRS 15.

Advances received from customers

Generally, the Group receives short-term advances from its customers. However, from time to time, the Group also receives long-term advances from customers. Prior to the adoption of IFRS 15, the Group presented these advances as Deferred revenue in the statement of financial position. No interest was accrued on the long-term advances received under the previous accounting policy.

Upon the adoption of IFRS 15, for short-term advances, the Group used the practical expedient. As such, the Group will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Group expects, at contract inception, that the period between the time the customer pays for the goods and services and when the Group transfers the promised goods or services the customer will be one year or less.

3. Significant accounting estimates and judgments

In preparing the Interim Report, Management makes various accounting estimates and assumptions which form the basis of presentation, recognition and measurement of the Group's assets and liabilities. The most significant accounting estimates and judgments are presented below.

In applying the Group's accounting policies, Management makes judgments which may significantly influence the amounts recognized in the Interim Report. Determining the carrying amount of some assets and liabilities requires judgments, estimates and assumptions concerning future events.

The judgments, estimates and assumptions made are based on historical experience and other factors that Management considers to be reliable, but which by their very nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise. The most critical judgments, estimates and assumptions for the individual items are described below.

The Group is also subject to risks and uncertainties that may lead to actual results differing from these estimates, both positively and negatively.

The Group has established a warrant program from 27 April 2017 to 27 April 2021. 100% of the warrants in the first grant is vested and the management expects that 55% of the warrants will be vested in the fourth grant. The Group has also established a warrant program from 26 April 2018 to 26 April 2022. 100% of the warrants in the first grant is vested and the management expects that 70% of the warrants will be vested in the fourth grant.

Development

For development projects in progress an impairment test is performed annually. The impairment test is performed on the basis of various factors, including future expected use of the outcome of the project, the fair value of the estimated future earnings or savings, interest rates and risks.

For development projects in progress, Management estimates on an ongoing basis whether each project is likely to generate future economic benefits for the Group in order to qualify for recognition. The development projects are evaluated on technical as well as commercial criteria. The carrying amount of in process development projects is disclosed in note 6.

Contract work

Recognized revenue on contract work is based on percentage of completion which is based on cost incurred on the contract as a percentage of the total cost estimated to complete the project. Management estimates, on an ongoing basis, the cost required to complete the projects and whether the costs can be recovered through the contract. The carrying amount of contract work in progress is disclosed in the consolidated statement of financial position.

Revenue and Trade receivables

A material part of the Group's sales and revenue as well as trade receivables is generated from a few large customers (mainly Sky and Space Global (UK) Ltd.). Since the third quarter 2018, there is an increased risk that customers do not place orders or otherwise fulfil their respective undertakings due to e.g. lack of financial resources or other circumstances beyond the Company's control, this risk is primarily related to our customer Sky and Space Global (UK) Ltd. Should the Group lose business from all or some of its top customers it may have an adverse impact on the Group's business, financial position and profits in the future.

Deferred tax

Regarding deferred tax there is a recognized tax asset concerning tax loss carry-forward. It is Management's opinion that the tax loss can be utilized.

4. Revenue

	Business segments				
	Academia T.SEK	Com- mercial T.SEK	Defense T.SEK	Science T.SEK	Total T.SEK
GEOGRAPHICAL					
Sweden	132	0	0	740	872
Denmark	1,716	1,662	0	162	3,540
Europe (excluding Sweden and Denmark)	2,550	73,436	6	12,356	88,348
USA	0	4,653	2,958	1	7,612
Asia	4,930	12,099	2,635	2,961	22,625
Rest of the world	1,438	28,894	0	55	30,387
	10,766	120,744	5,599	16,275	153,384
MAJOR GOODS/ SERVICE LINES					
Sales of satellite solutions	3,813	93,202	5,599	15,636	118,250
Sales of platforms, payloads and subsystems	6,953	26,822	0	639	34,414
Other sales	0	720	0	0	720
	10,766	120,744	5,599	16,275	153,384

5. Income tax and deferred tax

The Group had a recognized deferred tax loss carry-forward at a total amount of T.SEK 21,220 (T.SEK 20,249). The parent company, GomSpace Group AB, had a non-recognized deferred tax loss carry-forward at a total amount of T.SEK 8,886 (T.SEK 6,161). This amount can only be used by the Swedish entities and no tax profit is expected to be generated within a foreseeable future. Once the non-recognized deferred tax loss carry-forward in the parent company is recognized, this is done over equity as it regards deferred tax concerning expenses booked on equity.

	2018 31 Dec T.SEK	2017 31 Dec T.SEK
DEFERRED TAX ASSET RELATES TO:		
Intangible assets	-17,317	-13,415
Property, plant and equipment	1,530	1,720
Short-term assets	6,941	743
Tax loss carry-forward	21,220	20,249
	12,374	9,297
Tax loss carry-forward	44,381	26,410
Unrecognized as deferred tax asset	-23,161	-6,161
Tax loss carry-forward recognized as deferred tax asset	21,220	20,249

6. Intangible assets

	Goodwill T.SEK	Technology T.SEK	In process development projects T.SEK	Completed development projects T.SEK	Other intangible assets T.SEK	Total T.SEK
GROUP						
Cost price at 1 January 2018	3,710	12,000	26,576	14,509	20,843	77,638
Additions during the year	0	0	61,334	0	110	61,444
Reclassification	0	0	-18,542	18,542	0	0
Exchange rate adjustment	0	0	1,047	567	740	2,354
Cost price at 31 December 2018	3,710	12,000	70,415	33,618	21,693	141,436
Amortization at 1 January 2018	0	-1,000	0	-8,146	-2,418	-11,564
Amortization	0	-800	0	-4,847	-5,254	-10,901
Exchange rate adjustment	0	0	0	-327	-71	-398
Amortization at 31 December 2018	0	-1,800	0	-13,320	-7,743	-22,863
Carrying amount at 31 December 2018	3,710	10,200	70,415	20,298	13,950	118,573
Cost price at 1 January 2017	3,710	12,000	6,197	12,054	3,623	37,584
Additions during the year	0	0	21,819	0	17,089	38,908
Reclassification	0	0	-2,108	2,108	0	0
Exchange rate adjustment	0	0	668	347	131	1,146
Cost price at 31 December 2017	3,710	12,000	26,576	14,509	20,843	77,638
Amortization at 1 January 2017	0	-200	0	-6,021	-306	-6,527
Amortization	0	-800	0	-1,917	-2,098	-4,815
Exchange rate adjustment	0	0	0	-208	-14	-222
Amortization at 31 December 2017	0	-1,000	0	-8,146	-2,418	-11,564
Carrying amount at 31 December 2017	3,710	11,000	26,576	6,363	18,425	66,074

Impairment test

The annual impairment test for goodwill is performed as at 31 December after completion of budgets and strategy plans for the next 5 years. As at 31 December 2018, management assesses that there is no indication of impairment regarding the net asset values for goodwill and intangible assets with an indefinite useful life.

7. Property, plant and equipment

	Leasehold improve- ments T.SEK	Other fixtures fittings, tool and equiment T.SEK	Total property, plant and equipment T.SEK
GROUP			
Cost price at 1 January 2018	9,963	16,372	26,335
Additions during the year	21,210	4,139	25,349
Disposals during the year	0	-204	-204
Reclassification	0	0	0
Exchange rate adjustment	375	647	1,022
Cost price at 31 December 2018	31,548	20,954	52,502
Depreciation at 1 January 2018	-852	-4,149	-5,001
Depreciation	-2,100	-7,499	-9,599
Disposals during the year	0	200	200
Exchange rate adjustment	-34	-157	-191
Depreciation at 31 December 2018	-2,986	-11,605	-14,591
Carrying amount at 31 December 2018	28,562	9,349	37,911
Cost price at 1 January 2017	2,331	5,567	7,898
Additions during the year	7,646	10,904	18,550
Disposals during the year	-192	-395	-587
Exchange rate adjustment	178	296	474
Cost price at 31 December 2017	9,963	16,372	26,335
Depreciation at 1 January 2017	-352	-1,181	-1,533
Depreciation	-648	-3,203	-3,851
Disposals during the year	142	338	480
Exchange rate adjustment	0	-98	-98
Depreciation at 31 December 2017	-858	-4,144	-5,002
Carrying amount at 31 December 2017	9,105	12,228	21,333

8. Classification of financial assets and liabilities

	Financial instruments carried at fair value through profit or loss held for trading	Investments held to maturity	Loans and receivables	Other financial liabilities	Total	Carrying amount	Fair Value Level 1
	T.SEK	T.SEK	T.SEK	T.SEK	T.SEK	T.SEK	T.SEK
31 DECEMBER 2018							
ASSETS							
Trade and other receivables	0	0	86,037	0	86,037	86,037	0
Cash and cash equivalents	0	0	269,418	0	269,418	269,418	0
Total assets	0	0	355,455	0	355,455	355,455	0
LIABILITIES							
Credit institutions	0	0	0	33,298	33,298	33,298	0
Trade payables and other payables	0	0	0	66,821	66,821	66,821	0
Prepayments	0	0	0	63,091	63,091	63,091	0
Total liabilities	0	0	0	163,210	163,210	163,210	0
31 DECEMBER 2017							
ASSETS							
Trade and other receivables	0	0	58,832	0	58,832	58,832	0
Marketable securities	9	0	0	0	9	0	9
Cash and cash equivalents	0	0	95,567	0	95,567	95,567	0
Total assets	9	0	154,399	0	154,408	154,399	9
LIABILITIES							
Credit institutions	0	0	0	33,995	33,995	33,995	0
Trade payables and other payables	0	0	0	47,357	47,357	47,357	0
Prepayments	0	0	0	46,344	46,344	46,344	0
Total liabilities	0	0	0	127,696	127,696	127,696	0

Fair value of credit institutions and other non-current loans are deemed to be the equal to the total carrying amount, as these items are of a short-term nature.

The fair values of financial instruments traded in an active market (such as financial instruments held for trading and available-for-sale financial instruments) are based on quoted market prices as at the balance sheet date. A market is regarded as active if quoted prices from an exchange, broker, industry group, pricing service or regulatory authority are easily and regularly available, and provided these prices represent actual and regularly occurring arm's length market transactions. The quoted market price used for the Group's financial assets is the current bid price. These instruments belong to Level 1.

The fair values of financial instruments which are not traded in an active market are determined with the help of valuation techniques. Market data is used as far as possible when such data is available. If all significant inputs required for the fair value measurement of an instrument are observable, the instrument belongs to Level 2.

In cases where one or several significant inputs are not based on observable market information, the instrument is classified as Level 3.

The above table shows financial instruments carried at fair value based on their classification in the fair value hierarchy. The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly in the form of quoted prices or indirectly, i.e. derived from quoted prices (Level 2)
- Inputs or the asset or liability which are not based on observable market data (non-observable inputs) (Level 3)

In the fourth quarter of 2018, no transfers between levels were made.

9. Share-based payment

GomSpace Group AB (publ) established warrant programs as an incentive for all the Group's employees. Board members of the Group will not be allowed to participate. The warrant activity for the year is outlined below.

	2018 Jan-Dec T.SEK	2017 Jan-Dec T.SEK
Outstanding warrants as at 1 January	393,647	0
Granted	328,541	402,424
Forfeited	-89,242	-8,777
Exercised	0	0
Outstanding warrants	632,946	393,647

A detailed description of the warrant program for 2017/20 can be found in the annual report for 2017, note 5.

At the annual general meeting in April 2018, shareholders approved a warrant program for all the Group's employees. Board members of the Group will not be allowed to participate. Up to 450,000 warrants may be issued under this program and the exercise price is 100% of the volume weighted average last closing price for the Group's share on Nasdaq First North Premier during the period from and including 19 April 2018 until and including 25 April 2018.

The fair value of the warrants, expected to be granted until April 2021, is an amount of up to T.SEK 8,345, using the so-called Black&Scholes model based on the assumptions below.

	First award	Second award	
	Warrant program 2017/20	Warrant program 2017/20	Warrant program 2018/21
Volatility	70%	70%	58%
Risk-free interest rate	0%	0%	1%
Dividend yield	0%	0%	0%
Early-exercise date	27.04.2020	27.04.2020	26.04.2021
Expiration date	27.04.2021	27.04.2021	26.04.2022
Share price	54	58.3	60.4
Exercise price*	45.1	45.1	54.1
Outstanding warrants 31 December 2018	218,877	120,043	294,025

* Exercise price is calculated as follows:

- Warrant program 2017/20 first award is based on the volume weighted average last closing price for 20.04.2017 to 26.04.2017. On 7 December 2018 the exercise price is changed to 45.1 due to the diluted effect related to the rights issue in December 2018.
- Warrant program 2017/20 second award is based on the volume weighted average last closing price for 20.04.2017 to 26.04.2017. On 7 December 2018 the exercise price is changed to 45.1 due to the diluted effect related to the rights issue in December 2018.
- Warrant program 2018/21 is based on the volume weighted average last closing price for 19.04.2018 to 25.04.2018. On 7 December 2018 the exercise price is changed to 54.1 due to the diluted effect related to the rights issue in December 2018.

The costs of this program will be recognized as cost in the consolidated income statement over the service period. Further details of the Warrant Program can be found on our [website](#).

10. Related parties

Related parties comprise the associated companies, the Board of Directors and the management team. Furthermore, related parties comprise companies in which the above-mentioned persons have significant interests.

The Group has the following transactions with related parties:

	2018 Jan-Dec T.SEK	2017 Jan-Dec T.SEK
Transactions with related parties		
Sale of goods and services to associates	29,645	6,687
Administration costs from Board of Directors and management team	553	3,278
Receivables from associates on the balance sheet date	543	850

11. New standards issued but not yet effective

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

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16

The Group plans to adopt IFRS 16 retrospectively to each prior reporting period presented. The Group will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

During 2018, the Group has performed a detailed impact assessment of IFRS 16. In summary the impact of IFRS 16 adoption is expected to be, as follows:

		T.SEK
Impact on the statement of financial position (increase/(decrease)) as at 31 December 2018:		

ASSETS	
Property, plant and equipment (right-of-use assets)	51,304

LIABILITIES	
Lease liabilities	51,304
Net impact on equity	0

Impact on the income statement for 2019:	
Operating lease expense (included in administrative expenses)	-8,984
Depreciation expense	8,276
Impact on operating profit / EBIT	708
Finance costs	-1,279
Income tax expense	125
Profit (loss) for the year	-446

Due to the adoption of IFRS 16, the Group's operating profit will improve, while its interest expense will increase. This is due to the change in the accounting for expenses of leases that were classified as operating leases under IAS 17.

Financial Calendar

Annual report
Annual general meeting
Interim report, January - March 2019

Week 13
26 April 2019
31 May 2019

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MANAGEMENT'S STATEMENT

The CEO certifies that this Interim Report presents a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 31 December 2018, and of the results of the Group's and the parent company's operations and cash flow. The Interim Report also describes the significant risks and uncertainties facing the Parent Company and other companies in the Group.

Stockholm, 28 February 2019

Executive Board

Niels Buus
CEO

This Interim Report has not been reviewed by the company's auditors.

