GomSpace A/S

CVR No 30 89 98 49

Annual Report

January 1, 2019

-

December 31, 2019

The Annual Report was presented and adopted at the Annual General Meeting of the Company:

Chairman

Name Date: 15 / 5 2020

Home Address: Langagervej 6, DK-9220 Aalborg East
CVR No.: 30 89 98 49

Contents

Company information

Company
GomSpace A/S
Langagervej 6
DK-9220 Aalborg East
Denmark

CVR No.	30 89 98 49
Municipality of reg. office	Aalborg
Telephone	+45 71 741 741
Website	www.gomspace.com
E-mail	info@gomspace.com

Board of Directors
Jukka Pekka Pertola, Chairman
Niels Jesper Jespersen Jensen
Steen Lorenz Johan Hansen
Henrik Schibler
Hans Kristian Kofod

Executive Board
Niels Buus

Auditors
Ernst & Young Godkendt Revisionspartnerselskab

Key figures

	2019 T.DKK	2018*) T.DKK	2017*)**) T.DKK	2016*)**) T.DKK	2015*)**) T.DKK
5-year overview					
Net revenue	82.889	111.225	74.146	44.278	27.174
Gross profit	12.659	37.496	20.333	24.429	13.708
Operating profit (loss)	-68.936	-59.920	-44.160	-1.210	-1.879
Net financial items	-5.376	-2.674	-4.237	-896	-611
Profit (loss) before tax	-74.312	-62.594	-48.397	-2.106	-2.490
Profit (loss) for the year	-72.089	-59.718	-38.827	-1.668	-1.889
Investments in PPE	3.786	15.660	13.865	4.660	457
Total assets	178.997	198.138	149.893	53.313	24.521
Equity	10.943	83.032	44.750	27.577	11.245
Total liabilities	168.054	115.106	105.143	25.736	13.276
Ratios					
Gross margin	15%	34%	27%	55%	50%
Operating margin	-83%	-54%	-60%	-3%	-7%
Net margin	-87%	-54%	-52%	-4%	-7%
Return on invested capital (%)	-40%	-30%	-26%	-3%	-8%
Return on equity (%)	-153%	-93%	-107%	-9%	-22%
Equity ratio (%)	6%	42%	30%	52%	46%
Earnings per share, basic	-7,4	-6,2	-8,1	-0,8	-1,9

** The comparative figures are not restated to the effect of the IFRS 16 implementation.*
*** The comparative figures are not restated to the effect of the IFRS 9 and IFRS 15 implementation.*

Key figures definitions

Gross margin (gross profit * 100 / net revenue)
Operating margin (operating profit * 100 / net revenue)
Net margin (profit for the year * 100/ net revenue)
Return on invested capital (profit for the year * 100 / total assets)
Return on equity (profit for the year * 100 / average equity)
Equity ratio (equity * 100 / total assets)
Earning per share (profit for the year / number of shares)

Management's statement

The Executive Board and Board of Directors have today discussed and approved the Annual Report of GomSpace A/S for the financial year 1 January - 31 December 2019.

The Annual Report is prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position at 31 December 2019 of the Company and of the results of the Company operations and cash flows for the financial year 1 January - 31 December 2019, and state the significant risks and uncertainties facing the Company.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial postition.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Aalborg, 27 March 2020

Executive Board

Niels Buus
CEO

Board of Directors

Jukka Pekka Pertola
Chairman

Niels Jesper Jespersen Jensen

Steen Lorenz Johan Hansen

Henrik Schibler

Hans Kristian Kofod

Independent auditor's report

To the shareholders of GomSpace A/S

Opinion

We have audited the financial statements of GomSpace A/S for the financial year 1 January – 31 December 2019, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Statement on Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements, or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatements of the Management's review.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

► Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
► Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
► Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent auditor's report

► Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

► Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Aalborg, 27 March 2020
Ernst & Young
Godkendt Revisionspartnerselskab
CVR No. 30 70 02 28

Hans B. Vistisen
State Authorised Public Accountant
mne23254

Martin Bøgsted
State Authorised Public Accountant
mne40035

Management's review

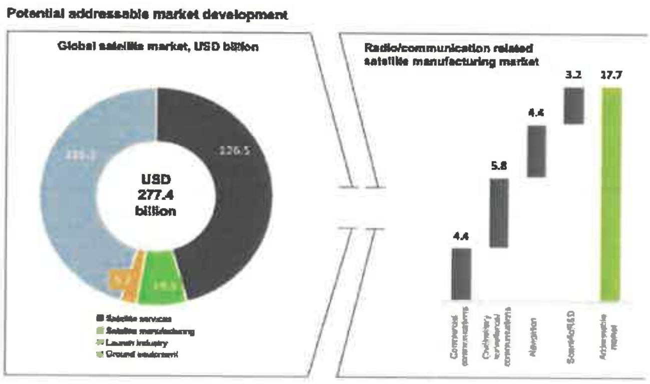
GomSpace in brief

The overall purpose of GomSpace is to manufacture nanosatellites as well as components and turn key solutions for satellites.

Company operations

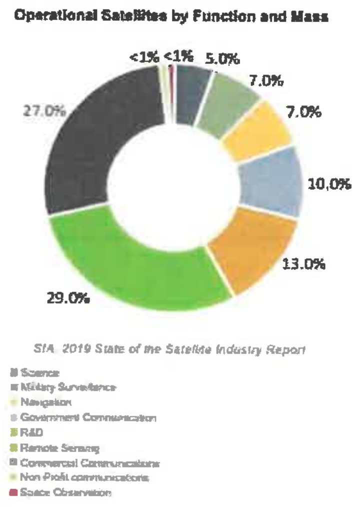
Market development

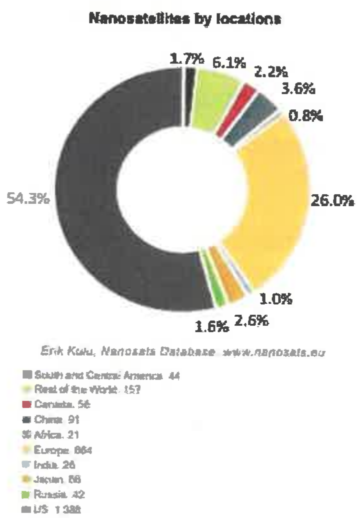
When the space aera began back in the late 1950's, this was a space race between nations whereas, today, it is a race between private companies*. The satellite industry is a billion-dollar industry, the global satellite market in 2018 was USD 277.4 billion of which the satellite manufacturing market accounted for USD 19.5 billion – radio and communication services amounted to an estimated USD 17.7 billion**. GomSpace estimates their addressable market size to approximately USD 2.6 billion.



Additionally, the market potentials are growing substantially and services such as constellations and data management are expected to be added to the future market potential.

According to Nanosats.eu, a total of 1,307 nanosatellites were launched at the end of January 2020 and a forecasted 2,500 nanosatellites are to be launched in the next 6 years. The majority of the satellites launched are within the sectors; Commercial Communications and Remote Sensing***.





* European Investment Bank, "The future of the European space sector" (https://www.eib.org/attachments/thematic/future_of_european_space_sector_en.pdf)
** SIA, 2019 State of the Satellite Industry Report (company analysis) (https://sia.org/22nd_ssir/)
*** SIA, 2019 State of the Satellite Industry Report (company analysis) (https://sia.org/22nd_ssir/)

Management's Review

GomSpace has a competitive strength within radio communication. Moreover, the large number of projects in collaboration with the European Space Agency (ESA) can be seen as a seal of approval of GomSpace as ESA would not cooperate with GomSpace if the products were not at the highest level. The projects with ESA are expected to result in new developments and capabilities which can subsequently be industrialized in the commercial domain.

The challenge for both GomSpace and its competitors is to gain volume in the sales in order to carry out high-volume manufacturing. Moreover, there are large challenges for non-US companies to gain entry into the large US market which currently constitutes more than 54% of all nanosatellites launched.

During 2019, there was a stagnation in the market which was primarily due to lack of funding and risk capital within the industry. Therefore, the InOrbit Demonstration projects with ESA as well as commercial players are extremely important to illustrate the vast functions contained in nanosatellites – currently GomSpace is participating in 3 IOD projects.

Product Development

The GomSpace product platform is continuously evolved to enable our mission of helping teams across the globe achieve their goals in space. The current market (see Market Development) is still an emerging market with many different In Orbit Demonstration (IOD) mission types to serve and with an increasing demand for short lead times from business case conception to business case validation.

Thus, the GomSpace product platform will continue to be optimized for fast IOD validation across many mission types. This means our product platform will continue to be modular and flexible as well as configurable at both subsystem and spacecraft level, thereby ensuring short spacecraft design lead time and striking the right balance between design cost and manufacturing cost (for low volume IOD missions).

However, as the business cases mature, we are also seeing an increasing need to be able to scale the design with the mission. In this respect, we work closely with our customers to development mission-optimized solutions in terms of manufacturing costs and lead time.

The current market trends affecting our product development roadmap are:

Helping customers be responsible actors in space

- De-orbit capabilities
- Orbit Awareness and Collision Avoidance

Providing advanced mission capabilities

- Formation flying
- Inter-plane and cross-plane satellite links
- More powerful radios and modems (i.e. high bandwidth and low latency requirements)
- More powerful onboard processing (i.e. enabling more in-space processing of data)
- In-space protocol and network management

Management's review

Advanced platform capabilities
• Fast turnaround from idea conception to launch readiness
• Adaptable to many different payload types (size/power/interfaces)
• Enabling high duty cycle, either by high power generation or low power consumption
• Advanced ADCS (Attitude Determination and Control System) capabilities
• Autonomous operations capabilities on spacecrafts

Maturing mission assurance capabilities
• Operational lifetime >=5 years
• High availability of space infrastructure to ensure high availability of end-user services
• Cyber security
• Constellation Management with low operating expenses (i.e. requiring a high degree of autonomous operations)

Development activities
GomSpace has worked along 4 main activity streams during 2019 and will continue to do so in 2020:
1. Development of a new low-cost 12U platform
2. Continuous improvements of our 3U, 6U and 8U platforms
3. Development of a constellation management platform
4. Development of selected product ranges with very high reliability

Based on the development activities in 2019, GomSpace will during 2020 introduce several new products that are compatible with most of our current platforms as well as our new 12U platform. Specifically, we will start shipping the following new products to select customers:
- NanoPower P80: Our new power supply for large nanosatellites and beyond
- NanoPower BP8: Battery module for P80 based systems
- SDR platform: The latest version of our well-known Software Defined Radio platform
- NanoCom XT8250: Our new Flexible and efficient DVBS2 compatible X-band transmitter system
- NanoPower TSP: Our new Tracking Solar Panels solution enabling high-power generation solutions

Management's review

During 2019, GomSpace reached the first operational release milestone for our constellation management platform. In 2020, GomSpace will release our Constellation Management Platform for commercial use. In parallel with this first release for commercial use, we will continue development of the constellation management platform to support more mission types as well as increase the number of supported ground segment infrastructure providers.

During 2020, GomSpace will continue the development on our K-band radio solutions. The first product release for the K-band will be a K-band ISL radio with steerable antenna beams. We expect to fly the first version of this in 2021/22.

Also, we are continuing our development of a very high reliability ISL sub-system that is aimed at harsh environments such as deep space. This is part of our ongoing commitment to enable more and more mission types using nanosatellites.

Finally, GomSpace made the first series production run of our standard propulsion modules. These propulsion modules will be further refined in 2020. In parallel to this, GomSpace is still working on the early stages of our hybrid propulsion product range.

Order intake and backlog

At the beginning of the year, order intake was low and did not meet our expectations. Most of the orders were in the commercial business area where some of our existing and potential customers had problems obtaining funding. The half-year result showed a change in the main business area which had now shifted to the science business area, this was primarily a result of orders received from the European Space Agency (ESA), at the end of the year the science business area constituted 47% of total orders. A reason for the shift was also related to our choice to treat the Sky and Space Global (SSG) order as cancelled and thereby removing this order from the commercial business segment.

In the third quarter we experienced a decrease in the order intake which was a result of a slow period due to the holidays, however, at the end of the year there was a significant increase in the order intake. In 2019, orders received increased with 62% to T.DKK 113,760 (70,433), these orders were mainly in the science and commercial areas. We were therefore satisfied with the result for the last quarter or 2019.

The backlog at the end of 2019 decreased with 82% T.DKK 92,915 (506,607), mainly a result of cancelling the SSG order (T.DKK 431,143). The commercial business area constituted 57% of total backlog – we intend to level out our orders within the four business areas in order to compensate for the low margin in science projects.

Management's review

Revenue and operating profit (loss)

There was a decline in revenue in the first quarter of 2019, this decline was mainly related to an overcapacity of resources, the choice to put the SSG order on hold as well as re-estimation of our projects. The excess capacity led to low capacity utilization. In the commercial business area, the area with the highest margin, revenue declined 45% during the year, this was for instance a result of removing the SSG order from the orderbook. Reaching mid-year, a reduction in employees was performed to reduce costs and to align the capacity to the activity level.

The revenue for the year decreased 25% to T.DKK 82,889 (111,225). The decrease was related to re-estimation of specific projects, re-work and delays in launches. During the year, product sales increased whereas the sale of satellite solutions, platforms, payloads and subsystems decreased, this was also a result of delay in launches and re-estimation of projects. Revenue was below our expectations, though we are still following our project milestones. The low revenue was a result of order intake being lower than expected in the first three quarters.

In the year 2019, gross margin was 15% (34%) and the margin was mainly affected by a lower order intake than expected in the first three quarters and the fact that we were not able to convert sufficient orders into revenue in Q4 to recover. Cost of goods sold and development costs had a negative effect on the gross margin due to overcapacity in Manufacturing.

Tax and deferred tax

In 2019, GomSpace recognized a deferred tax asset at a total amount of T.DKK 8,381 (T.DKK 9,526) relating to tax loss carry-forward. In 2019, GomSpace has written down tax asset as a consequence of the significant decrease in the order backlog and lower order intake than expected during the year. As a consequence of this, GomSpace had an effective tax rate of -3% (-5%) in 2019.

Cash flow

Cash from operating activities in 2019 improved with 136% to T.DKK 29,598 (-82,377). GomSpace's working capital totalled T.DKK 74,246 (4,656).

At the end of 2019, cash burn had improved significantly, this means that we have sufficient cash to perform operations in 2020 and ahead and thereby there is no uncertainty regarding operations.

Working capital was positively affected with T.DKK 65,065 from trade payables, which was mainly related to intercompany balances, and T.DKK 22,761 from trade receivables. Working capital was negatively affected by other payables at an amount of T.DKK 21,058 and contract work at an amount of T.DKK 6,588. The negative effect is mainly due to lower payroll liabilities due to the significant decrease in employees.

The financing activities were related to the repayment of borrowings and payment of lease liabilities. Payment of lease liabilities increased due to the newly implemented IFRS 16 standard which affected financing activities with T.DKK 4,748 in 2019.

Management's review

Investments in intangible assets in relation to in-house development for customer cases amounted to T. DKK 20,087 (44,142) for 2019, excluding grants. Investments were for instance in our development of a new low-cost 12U platform and a constellation management system, for further description please see the Product Development section. Investments in property, plant and equipment amounted to T.DKK 3,786 (15,660).

The investment level in 2018 was high whereas investments in 2019 are now at a more suitable level.

Shareholder's equity

As at 31 December 2019, total shareholder's equity amounted to T.DKK 10,943 (83,032). In the year 2019, an amount of T.DKK 1,430 (4,842) is recognized as share-based payments in relation to the warrant program established for the Company's employees.

Risk management
Due to its activities, the Company is exposed to various financial risks, including changes in foreign currency, interest, liquidity and credit risks. The Company manages the risks centrally and follows the policies approved by the Board of Directors. For further information, please see note 25 Financial risks.

During the spring of 2020, the financial impact of the Covid-19 Corona virus was apparent within a number of industries. As regards our business, there has been no effect to date and we also have a sound order book, though it is difficult to make an assessment of the long-term effect as we are only in the initial phases of this situation.

There are a number of factors that may adversely affect the Company's business, financial position and future results. Some of the risks are related to the Company, while other risks do not have any particular connection with the Company. There may also be risks and uncertainties that the Company is currently unaware of, or assesses as immaterial, that may prove to be material. Disclosed risks are not presented in priority order or in any other special order. The risks below are deemed to include the main known risks to the Company's future development and they may all adversely affect the Company's business, financial position and profits in the future.

New and emerging market
The Company is operating in the nanosatellite market, which is a complex, relatively new and growing market. The market may stagnate, or even cease to exist. The market could also develop in a way that the Company is not able to adapt to and even if the market becomes large and wide the Company may face competition from other operators which have greater financial conditions and/or are better prepared for the requirements on the market. Such competition could lead to a situation where the Company needs to compete on other terms, such as, price. One of the major challenges is ensuring the right positioning of the Company in relation to technology and customers thereby securing orders and profitability. Failure to do so or other circumstances described above may have an adverse impact on the Company's business, financial position and profits in the future.

Management's review

Risks related to development projects
In relation to development projects there is a risk that it will not have the expected potential and that the demand fails. In addition, there are certain risks related to the technology and the useful life of the outcome of the development project.

Key personnel
The Company is largely dependent on its ability to retain and attract skilled personnel. The current members of the senior management and other key employees possess a wide expertise and knowledge within the sector in which the Company operates as well as of the Company's business operations. Should the Company lose and not be able to replace any member of its key personnel it may interrupt ongoing projects as well as other development plans laid out for the Company. Moreover, the Company is dependent on hiring and retaining certain skilled personnel to continue its growth and to reach future success. If the Company cannot maintain its ability to attract skilled personnel it may have an adverse impact on the Company's business, financial position and profits in the future.

Risks relating to the quality of the product
The Company is reliant on its ability to develop and deliver products of a certain quality. Even if the Company deems the products to be of a certain quality, the demand from the customers may deviate from what the Company is producing. The Company's operations are currently expanding in order to meet an increasing demand from the market and enable delivery of a larger quantity of products without losing quality. If the Company is unable to meet the demands of its customers in relation to quality and expectation, it may have an adverse impact on the Company's business, financial position and profits in the future. Furthermore, the demands on the market may change and cause the Company to have to develop its products. Should the Company fail in doing so by e.g. focusing on the wrong development projects or not being able to develop its products to meet market expectations, it may adversely impact the Company's business, financial position and profits in the future. Furthermore, the Company is currently planning on expanding its operations within service and maintenance of its products. If such expansion is not successful it may have an adverse impact on the Company's business, financial position and profits in the future.

Risks relating to suppliers
The Company has different suppliers from which it purchases different products (e.g. circuit print boards and solar power cells) and services (e.g. assembly of products). The suppliers may stop delivering to the Company due to factors related to the Company as well as other factors not related to the Company. None of the suppliers are considered material in the sense that they cannot be replaced by suppliers offering similar products or services. However, changing suppliers might be time consuming and the Company may not be able to find suitable suppliers offering the same quality on similar terms and conditions for supply. The described circumstances may adversely impact the Company's business, financial position and profits in the future.

Management's review

Risks relating to customers

The Company's customers consist of both public and private enterprises and include, inter alia, universities, science companys, national space agencies, commercial businesses as well as military and other national authorities. Customer agreements are mainly entered into for specific and isolated orders and there are in such cases no undertaking for the customer to place repeated orders, and consequently no guarantee of future sales. As of today, a material part of the Company's sales and revenue is generated from a few larger customers. There is a 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. Should the Company lose business from all or some of its top customers it may have an adverse impact on the Company's business, financial position and profits in the future. Especially when dealing with public enterprises, there is a risk that customer agreements are customer friendly in terms of liabilities and obligations. If the Company fails to reach its sales targets, or if the Company fails to enter into customer agreements on favorable terms for the Company, it may have an adverse impact on the Company's business, financial position and profits in the future.

Regulatory approvals and permits

Some of the Company's products are subject to export control as they are comprised by the European Union's control list (list of products which may be used for both civil and military purposes, so-called "dual-use products") which entails that an export permit is required in order to export such products out of the EU. No permits are required to export the Company's products within the EU. Further, the Company is dependent on regulatory permits for launching satellites owned by the Company into space, as well as for using radio frequencies. There is a risk that the Company will not be able to retain permits it currently holds, nor that the Company will gain new permits when required. Further, there is a risk that the Company will conduct business in the future that would require regulatory approvals or permits in addition to those currently required and/or that the Company's current operations will be subject to increased regulatory demands. Under such circumstances the Company might be forced to change its operations or to integrate certain positions deemed necessary to comply with any regulatory requirements. As a result thereof the operating costs may increase and shortcomings in the Company's compliance could lead to charges, fines and other sanctions which could have an adverse impact on the Company's business, financial position and profits in the future.

Management's review

Legal and political risks

The nanosatellite market is a global market and the Company has partners, suppliers and customers in many other countries around the world. Risks may arise as a result of differences in legal systems and changes to legislation and other relevant regulations relating to taxation, customs and excise duties and other conditions applying to the Company's activities on an international market (including space). Rules, regulations and legal principles may differ both relating to matters of substantive law and in respect of such matters as court procedures and enforcement. This means that the Company's ability to exercise or enforce its rights and obligations may differ between different countries and any disputes or related litigation may be costly, time consuming and the outcome may be uncertain. In addition, the Company may be affected by factors relating to political uncertainties. All of the aforementioned may have an adverse impact on the Company's business, financial position and profits in the future.

Global economic factors

The Company is exposed to the general market environment such as supply and demand, inflation and interest rate fluctuations, upswings and downturns and the will to invest, etc. All these factors are outside the Company's control. If an economic downturn occurs, or the economic activity decreases, it may have an adverse effect on the nanosatellite market and consequently a negative effect on the Company's business, financial position and profits in the future.

Uncertainty relating to recognition and measurement

Recognition and measurement regarding the carrying amount of some assets and liabilities require judgments, estimates and assumptions concerning future events, also see note 2.

Market outlook

GomSpace aims to generate growth in sales, supported by the underlying market.

The shareholders should not expect any dividends in the short to medium term.

Unusual events

The financial position at 31 December 2019 of the Company and the results of the activities and cash flows of the Company for the financial year 2019 have not been affected by any unusual events.

Subsequent events

No material events have occurred subsequent to the balance sheet date.

During the spring of 2020, the financial impact of the Covid-19 Corona virus was apparent within a number of industries. As regards our business, there has been no effect to date and we also have a sound order book, though it is difficult to make an assessment of the long-term effect as we are only in the initial phases of this situation.

Management's review

Technology, knowledge, research and development
GomSpace has improved its technical competences and today the Company can claim to be the most advanced in the business as regards radio technology.

GomSpace has expanded its product range, whereby the Company has highly professional solutions to all the elements that constitute a nanosatellite.

Last but not least, GomSpace has introduced processes and procedures in the organization, and the Company can produce nanosatellite subsystems and complete satellites of high quality.

GomSpace has a flawless flight heritage which is the key element for building the necessary trust among its customers.

Corporate Social Responsibility
GomSpace acknowledges the responsibility of supporting human rights and GomSpace does therefore not violate the declared human rights. GomSpace upholds the freedom of association and removes all forms of discrimination within the workspace, which thereby underlines the fact that GomSpace does not hesitate to hire employees from different nationalities. In the employee handbook, GomSpace emphasizes on the support of a healthy workspace for each of the employees. Furthermore, GomSpace is continuously accepting CSR terms in customer and development contracts. In addition to this, GomSpace's financial institute demands good CSR behaviour. As regards the environment, GomSpace will take precaution when it comes to environmental challenges that can occur along the way.

Share classes and shareholders
The company's share capital is not comprised in share classes. No shares carry any special rights. The share capital is owned by GomSpace Group AB.

Income statement

	Notes	2019 T.DKK	2018* T.DKK
Net revenue	3	82.889	111.225
Cost of goods sold	4,5,6	-70.230	-73.729
Gross profit		**12.659**	**37.496**
Sales and distribution costs	4,5,6	-31.561	-28.048
Development costs	4,5,6	-30.215	-43.267
Administrative costs	4,5,6	-34.990	-48.191
Other operating income	7	17.074	22.090
Other operating costs	7	-1.903	0
Operating loss		**-68.936**	**-59.920**
Finance income	8	30	2.017
Finance expenses	9	-5.406	-4.691
Loss before income tax		**-74.312**	**-62.594**
Tax	10	2.223	2.876
Loss for the year		**-72.089**	**-59.718**
Loss is attributable to			
Owners of GomSpace A/S		-72.089	-59.718
		-72.089	**-59.718**

Statement of comprehensive income

	2019	2018*
Loss for the year	-72.089	-59.718
Other comprehensive income for the year, net of tax	**0**	**0**
Total comprehensive income for the year	**-72.089**	**-59.718**
Total comprehensive income for the year is attributable to:		
Owners of GomSpace A/S	-72.089	-59.718
	-72.089	**-59.718**

** The comparative figures are not restated to the effect of the IFRS 16 implementation (see note 1).*

Statement of financial position

	Notes	2019 T.DKK	2018* T.DKK
Assets			
Completed development projects	11	18.143	14.253
In-process development projects	11	46.306	47.987
Other intangible assets	11	6.348	9.231
Intangible assets		**70.797**	**71.471**
Property, plant and equipment	12	2.009	7.178
Leasehold improvements	12	17.710	17.778
Rigtht of use assets (leasing)	13	29.607	0
Property, plant and equipment		**49.326**	**24.956**
Deferred tax	14	0	1.944
Other non-current assets	15	2.690	2.690
Non-current assets		**2.690**	**4.634**
Total non-current assets		**122.813**	**101.061**
Inventories	16	16.707	21.139
Inventories		**16.707**	**21.139**
Contract work	17	5.221	12.443
Trade receivables	18	21.284	44.045
Tax receivable	19	4.419	5.500
Prepayments to suppliers	20	536	2.375
Other prepayments	20	627	1.842
Other receivables		384	2.308
Receivables		**32.471**	**68.513**
Cash and cash equivalents		**7.006**	**7.425**
Total current assets		**56.184**	**97.077**
Total assets		**178.997**	**198.138**

Statement of financial position

	Notes	2019 T.DKK	2018* T.DKK
Equity and liabilities			
Share capital	21	9.693	9.693
Capital reserve for development costs		50.270	48.271
Retained earnings		-49.020	25.068
Total equity		**10.943**	**83.032**
Credit institutions	25	10.648	17.007
Leasing liabilities	13,25	23.984	2.100
Other liabilities		2.100	0
Deferred tax	14	252	0
Total non-current liabilities		**36.984**	**19.107**
Credit institutions	25	6.419	6.241
Leasing liabilities	13,25	5.646	950
Trade payables and other payables	25	9.397	8.820
Trade payables, intercompany		79.025	14.537
Contract work	17	19.258	33.068
Prepayments	23	2.542	9.594
Other liabilities	22,25	8.783	22.789
Total current liabilities		**131.070**	**95.999**
Total liabilities		**168.054**	**115.106**
Total equity and liabilities		**178.997**	**198.138**

** The comparative figures are not restated to the effect of the IFRS 16 implementation (see note 1).*

Statement of changes in equity

	Share capital T.DKK	Share premium T.DKK	Capital reserve for development costs T.DKK	Retained earnings T.DKK	Total equity T.DKK
Equity 01.01.2018	4.793	0	15.246	24.711	44.750
Profit (loss) for the year	0	0	0	-59.718	-59.718
Development costs less amortization 2018	0	0	41.558	-41.558	0
Tax hereof	0	0	-8.533	8.533	0
Total comprehensive income for the year	0	0	33.025	-92.743	-59.718
Transactions with owners in their capacity as owners					
Increase in share capital	4.900	93.100	0	0	98.000
Transfer	0	-93.100	0	93.100	0
Share-based payments (capital contribution)*	0	0	0	4.842	4.842
Return of capital contribution*	0	0	0	-4.842	-4.842
Total transactions with owners in their capacity as owners	4.900	0	0	93.100	98.000
Equity 31.12.2018	**9.693**	**0**	**48.271**	**25.068**	**83.032**
Equity 01.01.2019	9.693	0	48.271	25.068	83.032
Profit (loss) for the year	0	0	0	-72.089	-72.089
Development costs less amortization 2019	0	0	2.563	-2.563	0
Tax hereof	0	0	-564	564	0
Total comprehensive income for the year	0	0	1.999	-74.088	-72.089
Transactions with owners in their capacity as owners					
Share-based payments (capital contribution)*	0	0	0	1.430	1.430
Return of capital contribution*	0	0	0	-1.430	-1.430
Total transactions with owners in their capacity as owners	0	0	0	0	0
Equity 31.12.2019	**9.693**	**0**	**50.270**	**-49.020**	**10.943**

* See a description of the accounting policies related to the treatment of share-based payment transactions in note 1 and note 5.

Cash flow statement

	Notes	2019 T.DKK	2018* T.DKK
Profit (loss) before tax		-74.312	-62.594
Reversal of financial items		5.376	2.674
Depreciation and amortizations		18.701	13.185
Non-cash items	29	12.370	-7.425
Changes in net working capital	28	65.950	-28.500
Cash flows from primary operating activities		28.085	-82.660
Received interest		4	0
Paid interest		-3.991	-3.604
Tax received		5.500	3.887
Tax paid		0	0
Cash flow from operating activities		**29.598**	**-82.377**
Investments in intangible assets (before grants)		-20.087	-44.142
Government grants		4.216	6.806
Investments in property, plant and equipment		-3.786	-15.660
Rent deposit		0	-200
Proceeds from sale of marketable securities		0	7
Proceeds from sale of non-current assets		0	5.067
Cash flow from investing activities		**-19.657**	**-48.122**
Borrowings	27	2.100	3.000
Repayment of borrowings	27	-6.347	-2.399
Payment of lease liabilities	27	-5.625	0
Borrowings from parent company	27	0	98.000
Cash flow from financing activities		**-9.872**	**98.601**
Net cash flow for the year		**69**	**-31.898**
Cash and cash equivalents, beginning of the year		7.425	40.261
Unrealized exchange rate gains and losses on cash		-488	-938
Cash and cash equivalents, end of the year		**7.006**	**7.425**
Reconciliation of cash and cash equivalents			
Cash and cash equivalents according to the balance sheet		7.006	7.425
Cash and cash equivalents according to the cash flow statement		**7.006**	**7.425**

The cash flow statement cannot be directly derived from the items in the financial statements.

** The comparative figures are not restated to the effect of the IFRS 16 implementation (see note 1).*

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Notes

1. Accounting policies

GomSpace A/S' financial statements for 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU as well as additional Danish disclosure requirements applying to entities of reporting class C (mid-size).

Further, the financial statements are prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB).

The company is included in the consolidated financial statements of GomSpace Group AB. The address of GomSpace Group AB is Ulls Väg 29A, Uppsala, organisation number 559026-1888.

Basis of preparation

The financial statements have been presented in Danish kroner, rounded to the nearest DKK thousand.

The accounting policies set out below have been applied consistently in respect of the financial year and the comparative figures. For standards implemented retrospectively, comparative figures are not restated.

Change in accounting policies

New and amended standards and interpretations

The Company applied IFRS 16 for the first time. The impact and the nature of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 Leases

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Company elected to use the transition practical expedient - without restating comparative figures - allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The Company has lease contracts for property and various items of vehicles and other equipment. Before the adoption of IFRS 16, the Company classified each of its leases at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Company otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expenses in the income statement on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under Prepayments and Trade and other payables, respectively.

Notes

1. Accounting policies (continued)

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognized lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

When assessing the expected lease period, the Group has identified the non-cancellable term of the lease, together with periods covered by an option to extend the lease, which management with reasonable probability expects to exercise, and together with periods covered by an option to terminate the lease which management with reasonable probability expects not to exercise. Regarding leasing of operating equipment, the Company has assessed that the expected lease period constitutes the non-cancellable term of the lease as the Company has not previously made use of an option to extend the lease in similar agreements.

The effect of adopting IFRS 16 on financial statements is as follows:	T. DKK
Assets	
Finance leasing contracts	2.978
Effect from implementing IFRS 16	32.372
Right-of use leasing assets as at 1 January 2019	**35.350**
Liabilities	
Finance leasing liability	2.965
Effect from implementing IFRS 16	32.372
Leasing liability as at 1 January 2019	**35.337**

There is no effect on equity at at 1 January 2019.

Operational leasing liabilities amounted to T.DKK. 21,463 as at 31 December 2018. The increase is mainly related to the long leasing periods for properties.

Income statement (2019)	
Depreciation expence (included in Cost of goods sold, Sales and distribution costs, Development costs and	-5.644
Rent expense (included in Cost of goods sold, Sales and distribution costs, Development costs and Administration costs	5.558
Operating profit	-86
Finance costs	-810
Income tax expense	197
Profit (loss) for the period:	-699

Statement of cash flows (2019)	
Net cash flows from operating activities	4.748
Net cash flows from financing activities	-4.748
	0

Notes

1. Accounting policies (continued)

There is no material impact on other comprehensive income and the basic and diluted EPS. On the transition date, the total lease asset amounts to T.DKK 32,372 (previously operating leases) and finance leases which are transferred from property, plant and equipment amount to T.DKK 2,965, equivalent to a total of T.DKK 35,337.

The Company applies its alternative loan interest when measuring future lease payments at current value. When assessing the alternative loan interest, the Company has categorized its portfolio of lease assets into two categories where the Company assesses that the leases and the underlying assets of each category have the same characteristics and risk profile. The categories include "Properties" and "Operating equipment". The Company determines the alternative loan interest for the above categories of leases in relation to initial recognition of a lease. Moreover, it is determined in relation to subsequent changes in the underlying contractual cash flows from changes in the Company's estimate of a residual value guarantee, in case the Company alters its assessment of whether an option to acquire, prolong or terminate with reasonable probability is expected to be exercised or in case the lease is to be modified. The weighted rate amounts to 2-4%.

Leasing assets are depreciated over expected leasing period as follows:
- Property 2-8 years
- Equipment 3-5 years

Foreign currency translation

Functional currency and presentation currency

The functional currency of the Company is Danish kroner (DKK) and the Financial Statements are likewise presented in Danish kroner (DKK).

Transactions and balance sheet items

Transactions in foreign currencies are translated into the functional currency at the exchange rates applicable on the transaction date. Exchange gains and losses arising in the payment of such transactions and in the translation of monetary assets and liabilities in foreign currencies at the rate prevailing on the reporting date are recognised in the income statement under the item Net financials.

Income statement

Revenue

Revenue includes sales of satellite solutions, platforms, payloads and subsystems.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements who has pricing latitude and who is also exposed to inventory and credit risks.

Contract work that is subject to a high degree of individual adaptation is recognised over time as revenue by reference to the percentage-of-completion method, meaning that revenue corresponds to the selling price of work performed during the year. When the outcome of contract work cannot be estimated reliably, revenue is recognised at the costs incurred so far when they are likely to be recovered. When it is probable that the total contract costs will exceed the total contract revenue, the anticipated loss on the contract is immediately recognised as an expense and a provision.

Notes

1. Accounting policies (continued)

Platforms, payloads and subsystems are either sold as separated components to customers or integrated together as a platform or turnkey nanosatellite. It has been assessed that satellite solutions and platforms, payloads and subsystems meet the criteria for revenue to be recognised over time on a percentage of completion basis. This is due to the customisation of components to customer specifications (selected options) which means that GomSpace has no alternative use for the component once customisation commences and GomSpace has a right to payment for work completed to date. The Group's contracts with customers for the sale of satellite solutions, platforms, payloads and subsystems generally include one performance obligation.

For satellite solutions and platforms, payments are based on milestones, generally leading to prepayments in the first phase and contracts assets in the ending period.

Trade receivables are non-interest bearing and are generally on terms of 14 to 60 days.

Generally, normal standard warranty obligations apply.

Cost of goods sold

Cost of goods sold comprise the cost of products and projects sold. Cost comprises the purchase price of raw materials, consumables and goods for resale, direct labour costs and a share of indirect production costs, including costs of operation and depreciation of production facilities as well as operation, administration and management of production sites.

Sales and distribution costs

Costs incurred in distributing goods sold during the year and in conducting sales campaigns, etc. during the year are recognised as distribution costs. Also, costs relating to sales staff, advertising, exhibitions as well as depreciation and impairment losses are recognised as distribution costs. Also included in this item is impairment of trade receivables under the expected loss model.

Development costs

Development costs include expenses relating to development activities not meeting the capitalisation criteria. Such expenses include staff costs, cost of material as well as depreciation and impairment losses.

Administrative costs

Administrative expenses comprise expenses incurred during the year for management and administration, including expenses relating to administrative staff, office premises and office expenses as well as depreciation and impairment losses.

Share-based payments

Employees (including senior executives) of GomSpace A/S receive remuneration in the form of share-based payments, whereby employees render services as consideration for warrants granted by GomSpace Group AB. As GomSpace A/S does not have responsibility for settling the transaction, the arrangement is accounted for as an equity-settled share-based payment transaction.

Notes

1. Accounting policies (continued)

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using the Black-Scholes option pricing valuation model, further details of which are given in Note 5. The cost is recognised in employee benefits expense together with a corresponding increase in equity (capital contribution received from GomSpace Group AB) over the period in which the service conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the income statement for a period represents the movement in cumulative expenses recognised as at the beginning and the end of that period.

A management recharge, based upon the grant date fair value of the warrants, is accrued over the vesting period of the share-based payment. As the recharge amount is directly based on the value of the underlying share-based payment, the recharge to GomSpace Group AB is charged directly to equity, provided it represents a return of the capital contribution received up to the amount of the contribution and a distribution thereafter.

Employee benefits
Liabilities for wages and salaries are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

Variable salary
Provisions for variable salary are expensed on an ongoing basis in accordance with the economic substance of current agreements.

Pension obligations
The company only has defined contribution pension plans. The contributions are recognized as an employee benefit expenses when they are due. The company has no further payment obligations once the contributions have been paid.

Termination benefits
A provision for costs in connection with termination of personnel is recognized only if the company is obligated to end employment before the normal retirement date or when benefits are provided as an incentive to encourage voluntary termination. Estimated termination benefits are recognized as a provision when a detailed plan for the measure is presented.

Other operating income
Other operating income comprise income that is not related to the principal activities. This includes management fee, rent as well as gains and losses on the disposal of intangible assets and property, plant and equipment as well as other income of a secondary nature in relation to the main activities of the Company.

Other operating expenses
Other operating expenses comprise expenses that are not related to the principal activities. This includes losses on the disposal of intangible assets and property, plant and equipment as well as other expenses of a secondary nature in relation to the main activities of the Company.

Financial income and expenses
Financial income and expenses comprise interest receivable and interest payable, surcharges and refunds under Denmark's on-account tax scheme, and value adjustments of financial assets and items denominated in a foreign currency.

Notes

1. Accounting policies (continued)

Income tax and deferred tax
Tax for the year comprises the year's current tax charge and deferred tax adjustments. The tax expense is recognised in the income statement, other comprehensive income or directly in equity.

Current tax payable and receivable is recognised in the statement of financial position as tax computed on the taxable income for the year, adjusted for tax on prior year taxable income and tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities.

Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carry-forwards, are recognised under other non-current assets at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities.

Deferred tax assets are subject to annual impairment tests and are recognised only in so far as it is probable that the assets will be utilised.

Deferred tax assets and liabilities are offset, if the Company has a legally enforceable right to set off current tax liabilities and tax assets or intends either to settle current tax liabilities and tax assets on a net basis or to realise the assets and settle the liabilities simultaneously.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the comprehensive income for the year.

Statement of financial position
Intangible assets
Costs associated with maintaining software and products are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique development projects controlled by the company are recognised as intangible assets when the following criteria are met:
- it is technically feasible to complete the development project so that it will be available for use
- management intends to complete the development project and use or sell it
- there is an ability to use or sell the development project
- it can be demonstrated how the development project will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the development project are available, and
- the expenditure attributable to the development project during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the development project include employee costs and an appropriate portion of relevant overheads.

Notes

1. Accounting policies (continued)

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Amortization is based on the straight-line method over the expected useful lives of the assets:
- Development projects: 5 years
- Other intangible assets: 3-5 years

Amortization of a development project begins when the development project is at a stage where its commercial potential can be utilized in the manner intended by Management.

Other intangible assets
Other intangible assets are measured at cost less accumulated depreciation and amortization. Other intangible assets are amortized on a straight-line method over the expected useful lives of the assets:
- Customer relationships: 5 years
- Licenses/software: 3-5 years

Intangible assets not yet available for use are not subject to amortization but are tested annually for impairment, irrespective of whether there is any indication that they may be impaired.

Property, plant and equipment
Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment charges. Property, plant and equipment also include leasehold improvements. Property, plant and equipment in progress are measured at cost. Cost comprises expenses for materials, other expenses directly related to making the asset ready for use, and reestablishment expenses, provided that a corresponding provision is made at the same time.

The useful lives of the individual groups of assets are estimated as follows:
- Plant and equipment: 2 - 5 years
- Leasehold improvements: 3 - 5 years

Depreciation is based on a straight-line basis.

Gains and losses on the disposal of property, plant and equipment are recognized in the income statement under other operating income and other operating expenses.

Impairment testing of non-current assets
The carrying amount of non-current assets are tested annually for indicators of impairment. When there is an indication that assets may be impaired, the recoverable amount of the asset is determined. The recoverable amount is the higher of an asset's fair value less expected costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset or the cash-generating unit to which the asset belongs. An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit, respectively, exceeds the recoverable amount of the asset or the cash-generating unit. The impairment loss is recognised in the income statement.

Government grants
Government grants comprise grants for investments, development projects, etc. Grants are recognized when there is reasonable certainty that they will be received. Grants for investments and capitalized development projects are set off against the cost of the assets to which the grants relate. Other grants are recognized in development costs in the income statement to offset the expenses for which they compensate.

Notes

1. Accounting policies (continued)

Leases after 1 January 2019
A leased asset and a lease liability are recognised in the balance sheet when the Company in accordance with a lease for a specific identifiable asset, is having a leased asset made available during the lease period and when the Company obtains the right to substantially all economic benefits from the use of the identified asset and the right to direct the use of the identified asset. On initial recognition, lease liabilities are measured at present value of future lease payments discounted using an incremental borrowing rate. The following lease payments are recognised as part of the lease liability:
— Fixed lease payments.
— Variable lease payments that change concurrently with the change in an index or interest rate based on a current index or interest rate.
— Amounts payable under a residual value guarantee.
— The exercise price for purchase options that Management is reasonably certain to exercise.
— Payments included in an extension option that the Group is reasonably certain to exercise.
— Penalty for termination option unless the Group is reasonably certain not to exercise the option.

The lease liability is measured at amortised cost using the effective interest method. The lease liability is remeasured when there are changes in the underlying contractual cash flows from changes in an index or an interest rate, if there are changes in the Company's estimated residual value guarantee or if the Company changes its assessment of whether a purchase, extension or termination option is reasonably certain to be exercised. On initial recognition, the leased asset is measured at cost which corresponds to the value of the lease liability adjusted for prepaid lease payments plus directly related costs and estimated costs for dismantlement, restoration or the like and less discounts received or other types of incentive payments from the lessor. The asset is subsequently measured at cost less accumulated depreciation, amortisation and impairment losses. The leased asset is depreciated over the shorter of the lease term and the useful life of the leased asset. Depreciation is recognised on a straight-line basis in the income statement. The leased asset is adjusted for changes in the lease liability as a result of changes in terms of the lease agreement or changes in the contract's cash flows concurrently with changes in an index or interest rate.

Leased assets are depreciated on a straight-line basis over the expected lease period, which is:
- Properties 2-8 year
- Operating equipment 3-5 years

The Company presents the leased asset and the lease liability as separate line items in the balance sheet. The Company has chosen not to recognise low-value and short-term leased assets in the balance sheet. Instead lease payments under these leases are recognised on a straight-line basis in the income statement.

Leases before 1 January 2019
For financial reporting purposes, lease liabilities are classified as finance lease liabilities and operating lease liabilities.

A finance lease is classified as a lease which in all material respect transfers the risk and benefits associated with ownership of the leased asset to the lessee. All other leases are classified as operating leases.

The accounting treatment of assets held under finance leases and lease liabilities is described under plant and equipment as well as financial liabilities, respectively.

Operating lease payments are recognised in the income statement on a straight-line basis over the lease term.

Notes

1. Accounting policies (continued)

Assets held under operating leases are recognised, measured and presented in the statement of financial position as the company's other, similar assets. Lease income is recognised in the income statement on a straight-line basis over the lease term.

Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method.

The cost of goods for resale and raw materials and consumables comprises purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising costs incurred to bring the product to the current completion rate and location. Costs include the cost of raw materials, consumables, direct wages and salaries, and indirect production overheads. Indirect production overheads comprise indirect materials, wages and salaries, maintenance and depreciation of production machinery and equipment, as well as production, administration and management.

Trade receivables

Receivables are initially recognized at fair value adjusted for any transaction costs. Subsequently, receivables are measured at amortized cost less provisions for bad debts. Impairment on expected losses on trade receivables as well as contract work is recognized immediately in the income statement at the same time as the amount receivable based on a simplified expected credit loss model. The impairment is based on historical data. This data is based on expected loss over the total maturity of the amount receivable, corrected for estimates of the effect of expected changes in relevant parameters, for instance financial development, political risks etc. on the market in question.

Management applies estimates when assessing provision for bad debts upon initial recognition as well as in relation to the ongoing risk management.

Contract work

Contract work is measured at the selling price of the work performed less progress billings and anticipated losses. Contract work entails a significant degree of design customisation of produced goods. Moreover, before any work is commenced, a binding agreement must have been entered into which will imply a penalty or damages on subsequent termination of the agreement.

The selling price is measured by reference to the percentage of completion at the end of the reporting period and the total expected income from the contract. The percentage of completion is determined on the basis of an assessment of the work performed, which is usually measured as the proportion of contract costs incurred for work performed to date relative to the total estimated contract costs.

When it is probable that the total contract costs will exceed the total contract revenue, the anticipated loss on the contract is immediately recognised as an expense and a provision.

When income and expenses on contract work cannot be determined reliably, contract revenue is recognised only to the extent of contract costs incurred that will probably be recoverable.

Where the selling price of work performed exceeds progress billings on contract work and anticipated losses, the excess is recognised under receivables. If progress billings and anticipated losses exceed the selling price of contract work, the deficit is recognised under liabilities.

Notes

1. Accounting policies (continued)

Prepayments from customers are recognised under liabilities.

Prepayments under assets
Prepayments which are recognised under assets include costs incurred in respect of subsequent financial years and primarily relate to prepaid expenses and prepayments for inventories.

Reserve for capitalised development projects
GomSpace A/S has established a non-distributable reserve in equity regarding development projects capitalised in 2016 and later. This reserve will be reversed as the development projects have effect on the income statement. The amount is presented net of deferred tax.

Provisions
Provisions are recognized when, as a consequence of an event occurring on or before the balance sheet date, the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation. The obligation is measured on the basis of Management's best estimate of the discounted amount at which the obligation is expected to be met.

Provisions are recognized regarding loss-making contracts when the expected advantages for the Company from a contract is less than the inevitable expenses according to the contract.

Financial assets and liabilities
Cash and cash equivalents comprise cash balances as well as restricted and unrestricted deposits with banks.

Financial liabilities are initially measured at fair value less transaction costs incurred. Subsequently, the financial liabilities are measured at amortized cost. Amortized cost is calculated as original cost less instalments plus/less the accumulated amortization of the difference between cost and nominal value. Losses and gains on loans are thus allocated over the term so that the effective interest rate is recognized in the income statement over the loan period. Financial liabilities are derecognized when settled.

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Method (EIR). Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the income statement.

Prepayments under liabilities
Prepayments which are recognised under liabilities include payments received in respect of income in subsequent financial years and primarily relate to received government grants.

Notes

1. Accounting policies (continued)

Cash flow statement

The cash flow statement has been prepared under the indirect method and shows the Company's cash flows from operating, investing and financing activities for the year.

Cash flows from operating activities comprise profit or loss before tax adjusted for non-cash operating items, changes in working capital, financial items received and paid as well as income tax paid.

Cash flows from investing activities comprise divestment of companies and activities, as well as investment, development, sale and improvements of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise capital increases and costs incidental thereto as well as the arrangement of loans, the repayment of interest-bearing debt, incl. lease liabilities, shares and the payment of dividend to the Company's shareholders.

Cash and cash equivalents in the cash flow statement comprise cash balances and unrestricted deposits with banks.

Notes

2. Significant accounting estimates and judgments
In preparing the Financial Statements, Management makes various accounting estimates and assumptions which form the basis of presentation, recognition and measurement of the Company's assets and liabilities. The most significant accounting estimates and judgments are presented below.

In applying the Company's accounting policies, Management makes judgments which may significantly influence the amounts recognized in the Financial Statements. 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 Company is also subject to risks and uncertainties that may lead to actual results differing from these estimates, both positively and negatively.

Development projects
For in-process development projects 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 in-process development projects, Management estimates on an ongoing basis whether each project is likely to generate future economic benefits for the Company 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 11.

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 note 17.

Backlog, Revenue and Trade receivables
A material part of the Group's backlog, sales and revenue as well as trade receivables was generated from a few large customers. Since the beginning of 2019, 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. 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.

Notes

3. Net revenue

Geographic distribution	Business segments 2019 (customers)				
	Academia	Commercial	Defense	Science	Total
	T.DKK	T.DKK	T.DKK	T.DKK	T.DKK
Asia	1.596	2.343	0	3.566	7.505
Denmark	925	1.972	0	0	2.897
Europe	1.877	42.468	413	16.747	61.505
Rest of the world	2.107	-541	852	284	2.702
Sweden	146	1.305	0	0	1.451
USA	1.421	3.780	1.420	208	6.829
	8.072	**51.327**	**2.685**	**20.805**	**82.889**

	Business segments 2018 (customers)				
	Academia	Commercial	Defense	Science	Total
	T.DKK	T.DKK	T.DKK	T.DKK	T.DKK
Asia	3.566	7.894	1.915	2.152	15.527
Denmark	1.247	1.209	0	0	2.456
Europe	1.853	47.368	4	4.536	53.761
Rest of the world	1.045	32.799	0	40	33.884
Sweden	96	0	0	0	96
USA	0	3.381	2.119	1	5.501
	7.807	**92.651**	**4.038**	**6.729**	**111.225**

Major goods/service linies	Business segments 2019 (customers)				
	Academia	Commercial	Defense	Science	Total
	T.DKK	T.DKK	T.DKK	T.DKK	T.DKK
Sales of satellite solutions, platforms, payloads and subsystems (over time)	681	37.409	970	17.740	56.800
Product sales (over time)	7.391	13.918	1.715	3.065	26.089
	8.072	**51.327**	**2.685**	**20.805**	**82.889**

Major goods/service linies	Business segments 2018 (customers)				
	Academia	Commercial	Defense	Science	Total
	T.DKK	T.DKK	T.DKK	T.DKK	T.DKK
Sales of satellite solutions, platforms, payloads and subsystems (over time)	2.754	73.607	4.038	6.265	86.664
Product sales (over time)	5.053	19.044	0	464	24.561
	7.807	**92.651**	**4.038**	**6.729**	**111.225**

Order book

	Business segments 2019 (customers)				
	Academia	Commercial	Defense	Science	Total
Order backlog 1 January 2019	2.012	499.862	1.224	3.509	506.607
Currency adjustment and reclassification of orders	592	55	-865	3.807	3.589
Order intake	7.030	50.292	3.061	53.377	113.760
Cancelled orders*	-840	-446.359	0	-953	-448.152
Converted to revenue	-8.071	-51.327	-2.686	-20.805	-82.889
Order backlog 31 December 2019	**723**	**52.523**	**734**	**38.935**	**92.915**

* In the commercial segment the order from Sky and Space Global (UK) Ltd. is excluded. The order has a value of T.DKK 431,143. See also risk description in note 2.

	Business segments 2018 (customers)				
	Academia	Commercial	Defense	Science	Total
Order backlog 1 January 2018	4.182	536.841	2.983	3.403	547.409
Currency adjustment and reclassification of orders	340	256	51	-658	-11
Order intake	5.296	55.416	2.228	7.493	70.433
Converted to revenue	-7.806	-92.651	-4.038	-6.729	-111.224
Order backlog 31 December 2018	**2.012**	**499.862**	**1.224**	**3.509**	**506.607**

Out of the backlog as at 31 December 2018, T.DKK 451,506 is related to Sky Space and Global (UK) Ltd. which is expected to be recognized within more than a year. See also risk description in note 2.

Notes
3. Net revenue (continued)

Revenue to be recognised from contracts	**2019**	**2018**
Within one year	70.089	35.891
More than a year	13.256	470.716
	83.345	506.607

Revenue from the United Kingdom accounts for 31% of the total net revenue (23% in 2018).
Revenue from the Netherlands accounts for 21% of the total net revenue (5% in 2018).
Revenue from Luxembourg accounts for 10% of the total net revenue (11% in 2018).
Revenue from the United States accounts for 8% of the total net revenue (5% in 2018).
Revenue from France accounts for 4% of the total net revenue (3% in 2018).

4. Staff costs

	2019 T.DKK	**2018 T.DKK**
Wages and salaries	73.596	98.317
Share-based payments	1.430	4.842
Pension costs, defined contribution plans	8.263	8.972
Other expenses to social security	1.270	1.177
Other employee costs	2.346	4.769
Total staff costs	**86.905**	**118.077**
Of which:		
Wages and salaries capitalized as development projects	14.714	35.536
Total staff costs	**72.191**	**82.541**
Average number of full time employees	136	175
Staff costs are included in:		
Costs of goods sold	37.374	43.536
Sales and distribution costs	8.676	11.311
Development costs*	27.795	44.152
Administrative costs	13.060	19.078
Total staff costs	**86.905**	**118.077**
* of which:		
Wages and salaries capitalized as development projects	14.714	35.536
Total staff costs	**72.191**	**82.541**
Remuneration of Executive Board and Board of Directors		
Salaries	6.405	7.430
Pension costs, defined contribution plans	147	13
Share-based payments	137	441
	6.689	**7.884**

Executive Board and Board of Directors comprise the Company's key management personnel.

Notes

5. Share-based payment

The Board of Directors of GomSpace Group AB (parent company of GomSpace A/S) obtained approval to implement a share-based incentive program (equity-settled share-based payment transactions) in the form of a warrant scheme offered to all Danish and Swedish employees of the group. The warrants provide participants the right to purchase newly issued shares in GomSpace Group AB. In 2019 no warrants were approved and granted to employees of GomSpace A/S.

In 2018, a total of 328,541 warrants were approved and granted to employees of GomSpace A/S in April 2018. The warrants were granted by GomSpace Group AB. The share-based payment transaction is accounted for as an equity-settled share-based payment scheme in GomSpace A/S. The warrants vest in four equal annual instalments commencing on the date of grant, with the final instalment vesting on 28 April 2021. The warrants can be exercised between 26 April 2021 and 26 April 2022 within certain exercise windows. Vesting of the warrants will be conditional upon continued employment of the participants.

Employees (including senior executives) of GomSpace A/S receive remuneration in the form of share-based payments, whereby employees render services as consideration for warrants granted by GomSpace Group AB. As GomSpace A/S does not have responsibility for settling the transaction, the arrangement is accounted for as an equity-settled share-based payment transaction.

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using the Black-Scholes option pricing valuation model. The cost is recognised in employee benefits expense together with a corresponding increase in equity (capital contribution received from GomSpace Group AB) over the period in which the service conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the income statement for a period represents the movement in cumulative expense recognised as at the beginning and the end of that period.

A management recharge, based upon the grant date fair value of the warrants, is accrued over the vesting period of the share-based payment. As the recharge amount is directly based on the value of the underlying share-based payment, the recharge to GomSpace Group AB is charged directly to equity, provided it represents a return of the capital contribution received up to the amount of the contribution and a distribution thereafter.

The total expense recognised in the income statement for the year related to the warrant schemes was T.DKK 1,430 (2018: T. 4,842).

The fair value of the warrants has been calculated using the Black-Scholes option pricing model. Key inputs in the valuation model include:

	Warrant program (27 April 2017)	Warrant program (24 August 2017)	Warrant program (26 April 2018)
Expected future dividend (SEK per share)	0	0	0
Volatility	70%	70%	58%
Risk free interest rate	0%	0%	1%
Life of warrant	48 months	48 months	48 months
Share price at grant date (SEK per share)	54.0	58.3	60.4
Exercise price (SEK per share)	45.1	45.1	54.1
Fair value at grant date (SEK per warrant)	27.6	30.9	25.4
Outstanding warrants 31 December 2018	218.877	120.043	294.025
Outstanding warrants 31 December 2019	212.445	116.516	244.303

The volatility has been determined using the volatility in GomSpace Group AB's share price, together with benchmarking against peer group companies.

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 dilution 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 dilution 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 dilution effect related to the rights issue in December 2018.

Notes

5. Share-based payment (continued)

Set out below are summary movements in warrants during the year. All warrants granted in the year related to warrant program 2018 have an exercise price of SEK 54.1. All warrants granted related to the warrant programs in 2017 have an exercise price of SEK 45.1.

	No. warrants 2019	No. warrants 2018
Outstanding at 1 January	632.945	393.647
Granted		328.540
Forfeited	-59.681	-89.242
Exercised		-
Expired		-
Outstanding at 31 December	573.264	632.945
Exercisable at 31 December	-	-

The remaining contractual life of all warrants granted for the award in 2017 is 16 months (2018: 28 months)
The remaining contractual life of all warrants granted for the award in 2018 is 28 months (2018: 40 months)

6. Depreciation and amortizations

	2019 T.DKK	2018 T.DKK
Costs of goods sold	5.251	2.279
Sales and distribution costs	992	507
Development costs	3.905	2.659
Administrative costs	1.537	886
Total depreciation	**11.685**	**6.331**
Costs of goods sold	3.648	2.467
Sales and distribution costs	242	548
Development costs	2.713	2.879
Administrative costs	413	960
Total amortizations	**7.016**	**6.854**

7. Other operating income and costs
Other operating income primarily consists of proceeds from sale of non-current assets and management fees from group companies.
Other operating costs primarily consists of loss from sale of non-current assets.

8. Finance income

Interest income intercompany	3	0
Interest income	1	0
Exchange rate adjustments	26	2.010
Fair value gains on securities	0	7
	30	**2.017**

9. Finance expenses

Interest expenses intercompany	1.323	1.482
Interest expenses	1.532	1.856
Exchange rate adjustments	1.414	1.087
Leasing interest	913	5
Other financial expenses, including bank fees	224	261
	5.406	**4.691**

Notes

10. Tax on profit (loss) for the year

	2019 T.DKK	2018 T.DKK
Tax on profit (loss) for the year comprises		
Current tax on profit (loss) for the year*	-4.419	-5.500
Changes in deferred tax	2.196	2.624
Tax expense (income) for the year	**-2.223**	**-2.876**
Profit (loss) before tax	-74.312	-62.594
Danish tax rate for GomSpace A/S	22%	22%
Tax expense (income)	-16.349	-13.771
Non-deductible expenses	287	995
Impairment and adjustments to previous years	13.839	9.900
Tax expense (income) for the year	**-2.223**	**-2.876**
Effective tax rate	3%	5%
Income tax expense (income) reported in the income statement	-2.223	-2.876
	-2.223	**-2.876**

* A part of the tax loss for the year is caused by development costs. According to the Danish tax legislation the tax value (22%) of development costs up to T.DKK 25,000 can be paid out subsequent to the filing of the taxable income for the year. Accordingly, the tax loss carried forward is reduced.

	2019	2018
Tax loss carry-forward	146.001	88.302
Unrecognized as deferred tax asset	-107.904	-45.000
Tax loss carry-forward recognized as deferred tax asset	**38.097**	**43.302**

11. Intangible assets

	Completed development projects T.DKK	In-process development projects T.DKK	Other intangible assets T.DKK	Total T.DKK
Cost price at 1 January 2019	23.836	47.987	13.975	85.798
Additions during the year	0	8.359	0	8.359
Disposals during the year	-9.021	0	-678	-9.699
Reclassification	10.040	-10.040	0	0
Cost price at 31 December 2019	24.855	46.306	13.297	84.458
Amortization at 1 January 2019	-9.583	0	-4.744	-14.327
Amortization	-4.133	0	-2.883	-7.016
Amortization, disposals	7.004	0	678	7.682
Amortization at 31 December 2019	-6.712	0	-6.949	-13.661
Carrying amount 31 December 2019	**18.143**	**46.306**	**6.348**	**70.797**
Cost price at 1 January 2018	10.714	19.624	13.896	44.234
Additions during the year	0	41.485	79	41.564
Reclassification	13.122	-13.122	0	0
Cost price at 31 December 2018	23.836	47.987	13.975	85.798
Amortization at 1 January 2018	-6.145	0	-1.328	-7.473
Amortization	-3.438	0	-3.416	-6.854
Amortization at 31 December 2018	-9.583	0	-4.744	-14.327
Carrying amount 31 December 2018	**14.253**	**47.987**	**9.231**	**71.471**

Other intangible assets primarily consist of investments in the new ERP system and software.

In 2019, the Company received T.DKK 11,733 (2018: T.DKK 2,576) in government grants which are set off against additions during the year.

Notes

11. Intangible assets (continued)

In general

GomSpace Group's expectations for the next years is aiming to generate growth in sales, supported by the underlying market. GomSpace targets a gross margin exceeding 50 percent, in the medium term.

The group's activities are primarily carried out in GomSpace A/S and in a smaller scale in GomSpace Sweden AB. The parent company GomSpace Group AB's sole activity is holding of shares in subsidiaries and associates as well as the stock listing on NASDAQ First North Premier.

Based on the market value of GomSpace Group AB on NASDAQ First North Premier in Stockholm ((2019: T.DKK. 420,406 and 2018: T.DKK 386,665) management assesses there is headroom between the recoverable amount and the carrying amount of intangible assets as at 31 December 2019 as also at 31 December 2018.

Furthermore, management has on group level prepared impairment test of goodwill which supports the carring amounts of intangible

In-process development projects

In-process development projects are subject to an annual impairment test. In-process development projects consist of nanosatellite platforms as well as expanding our processing and radio capabilities with more powerful processing components, high-power antennas and support for new frequency bands beyond VHF, UHF and S band frequencies. Please refer to management's review on pages 7-8 "Market development" and page 8-10 "Product development".

The carrying amount for in-process development projects as at 31 December 2019 amounts to T.DKK 46,306 (T.DKK 47,987 at 31 December 2018).

Parts of the in-process development projects are expected to continue during 2020. Management expects the development projects to increase revenue for the company in 2020 and the following years. Please refer to the expectations described above.

The in-process development projects are tested for impairment as at 31 December 2019. The recoverable amount of the in-process development projects were set based on computations of value in use. The value in use is based on business plans approved by management for the individual in-process development projects, including projected cash inflows from budgeted and estimated revenue and budgeted and estimated cash outflows from completing the projects and cash flows related to the sale of the developed products. The business plans are among other things based on market reports on future growth and technology trends.

Based on the impairment tests, management assesses there is headroom between the recoverable amount and the carrying amount of in-process development projects as at 31 December 2019.

Notes

11. Intangible assets (continued)

Other intangible assets, including completed development projects

With reference to the expectations described above, management has not identified any factors indicating the need to carry out impairment tests for other intangible assets, including completed development costs in 2019.

Development costs recognized in the income statement

Development costs recognised in the income statement in 2019 amount to T.DKK 30,215 (T.DKK 43,267 in 2018).

12. Property, plant and equipment

T. DKK	Property, plant and equipment T.DKK	Leasehold improvements T.DKK	Total T.DKK
Cost price at 1 January 2019	14.810	19.926	34.736
Transfer to leasing assets	-3.000	0	-3.000
Additions during the year	0	3.786	3.786
Disposals during the year	-3.849	-818	-4.667
Cost price at 31 December 2019	7.961	22.894	30.855
Depreciation at 1 January 2019	-7.632	-2.148	-9.780
Transfer to leasing assets	23	0	23
Depreciation	-2.190	-3.852	-6.042
Disposals during the year	3.847	816	4.663
Depreciation at 31 December 2019	-5.952	-5.184	-11.136
Carrying amount at 31 December 2019	**2.009**	**17.710**	**19.719**
Cost price at 1 January 2018	11.711	7.512	19.223
Additions during the year	3.246	12.414	15.660
Disposals during the year	-147	0	-147
Cost price at 31 December 2018	14.810	19.926	34.736
Depreciation at 1 January 2018	-2.950	-644	-3.594
Depreciation	-4.827	-1.504	-6.331
Disposals during the year	145	0	145
Depreciation at 31 December 2018	-7.632	-2.148	-9.780
Carrying amount at 31 December 2018	**7.178**	**17.778**	**24.956**

Finance leases (2018)

The carrying value of plant and equipment held under finance leases at 31 December 2018 was T.DKK 2,978. Additions during 2018 included T.DKK 3,000 of plant and machinery under finance leases. Leased assets are pledged as security for the related finance lease liabilities.

13. Right of use assets (leasing)

T.DKK	Property	Other fixtures, fittings, tools and equipment	Total
Balance at 1 january 2019 (finance leased assets)	0	2.978	2.978
Effect from implementing IFRS 16	31.500	872	32.372
Adjusted balance at 1 January 2019	31.500	3.850	35.350
Additions	0	0	0
Disposals	0	-100	-100
Depreciation	-4.725	-918	-5.643
Balance at 31 December 2019	26.775	2.832	29.607

Leasing liabilities	**2019**	**2018**
Within 0-1 years	6.388	968
Within 1-5 years	22.004	2.195
After 5 years	3.438	0
Total non-discounted leasing payments	**31.830**	**3.163**

Notes

13. Right of use assets (leasing) (continued)

Recognised in the balance at 31 December:	**2019**	**2018**
Current leasing liability (0-1 years)	5.646	950
Non-current leasing liability (after 1 year)	23.984	2.100
	29.630	**3.050**

Income statement	**2019**
Interest costs related to leasing contracts	913
Payments related to short-term leasing contracts	0
Payments related to low value leasing contracts	638

	2019
Operating lease liability as at 31 December 2018	21.463
Graduated mortgage payments based on index, etc.	269
Prolonged options (change in assessment and estimate as regards the lease period)	15.823
Discounted cash flow with alternative loan interest	-4.031
Low-value assets	-1.152
Debt at the beginning of the year	**32.372**

14. Deferred tax

	2019 T.DKK	**2018 T.DKK**
Deferred tax at 1 January	1.944	4.568
Deferred tax recognized in the income statement	-2.196	-2.624
Deferred tax at 31 December	**-252**	**1.944**
Deferred tax relates to:		
Intangible assets	-11.998	-14.506
Property, plant and equipment	-3.443	4.287
Short-term assets	289	0
Short-term liabilities	6.519	2.637
Tax loss carry-forwards	8.381	9.526
	-252	**1.944**
Deferred tax assets	15.189	16.450
Deferred tax liabilities	-15.441	-14.506
Deferred tax, net	**-252**	**1.944**

The Company has updated analysis of the expected utilization of tax loss carry-forwards based on existing facts and the development regarding deferred tax assets under IFRS. As a consequence of the significant decrease in the order backlog and lower order intake than expected during the year, which has caused overcapacity, the Company has written down further deferred tax assets during 2019. Write down amounts to T.DKK 13,838 (2018: T.DKK 9,900) and carrying amount of tax assset related to tax losses amounts to T.DKK 8,381 as at 31 December 2019 (T.DKK 9,526 as at 31 December 2018). Unrecognised tax loss carry-forward amounts to T.DKK 107,904 (T.DKK 45,000 in 2018) corresponding to a tax asset of T.DKK 23,739 (T.DKK 9,900 in 2018).

In 2018, Management assessed that part of the deferred tax asset could be utilized in 2-3 years based on expectations for the future. GomSpace's expectations for the next years are aiming to generate growth in sales, supported by the underlying market. GomSpace targets a gross margin exceeding 50 percent in the medium term.

15. Other non-current assets

Other non-current assets as at 31 December 2019 and 2018 consist of rent deposits.

Notes

16. Inventories

	2019 T.DKK	2018 T.DKK
Finished goods	0	0
Work in progress	1.890	2.157
Raw materials and consumables	14.817	18.982
	16.707	**21.139**

T.DKK 33,609 of inventories were recognized in cost of sales during 2019 (T.DKK 25,432 in 2018). Write-downs of inventories in 2019 amounted to T.DKK 45 (T.DKK 265 in 2018).

17. Contract work

	2019 T.DKK	2018 T.DKK
Revenue from contract work in progress	104.829	166.470
Less progress billings	-118.866	-187.095
	-14.037	**-20.625**
Recognized in the balance sheet as:		
Amounts due from customers for contract work	5.221	12.443
Amounts due to customers for contract work	-19.258	-33.068
	-14.037	**-20.625**

Contract assets are initially recognized for revenue earned from Sales of satellite solutions, platforms, payloads and subsystems as well as products sales.
Contract liabilities include advances received to deliver Sales of satellite solutions, platforms, payloads and subsystems.
In 2019, T.DKK 606 (2018: T.DKK 1,409) were recognized as provision for expected losses on contract assets.

18. Trade receivables (from contract work)

Contract work	5.221	12.443
Trade receivables, others	20.694	34.764
Trade receivables, intercompany	487	9.193
Trade receivables, associates	103	88
	26.505	**56.488**

Ageing of receivables

Not due and contract work	13.388	14.977
0 - 30 days overdue	8.044	6.678
31 - 90 days overdue	3.925	29.348
>90 days overdue	1.148	5.485
	26.505	**56.488**

Movement in allowance for doubtful trade receivables

Carrying amount at the beginning of the year	591	1.206
Allowances for losses during the year	11.155	757
Confirmed losses	-101	-1.372
	11.645	**591**

As at 31 December 2019, trade receivables at an amount of T.DKK 13,117 (T.DKK 40,920 in 2018) were past due but not impaired. As at 31 December 2019 due receivables relate to a number of independent customers where there is no recent history of non-payment. Payments totalling T.DKK 14,055 are received in 2020.

The remaining trade and other receivables do not contain impaired assets as these are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Company does not hold any collateral in relation to these receivables.

Notes

19. Tax receivable
Tax receivable consists of tax receivable related to the tax credit scheme concerning development projects.

20. Prepayments to suppliers

	2019 T.DKK	2018 T.DKK
Prepayments for inventories	536	2.375
Prepaid insurance	1	854
Prepayments to suppliers	0	197
Other prepayments	626	791
	1.163	**4.217**

21. Share capital

The share capital comprises 9,693,381 shares at a nominal value of DKK 1 each. No shares carry any special rights.

	Number of shares
Changes in share capital:	
Share capital at 1 January 2016	993.381
Capital increase 2016	1.000.000
Capital increase 2017	2.800.000
Capital increase 2018	4.900.000
Share capital at 31 December 2019, fully paid	**9.693.381**

Capital management
The Company is primarily financed through equity and loan from parent company with equity ratio of 6% as at 31 December 2019 (42% as at 31 December 2018), but will use debt financing when this can be achieved at attractive conditions. Management evaluates the need for capital on an ongoing basis. The objectives when maintaining capital are to maintain sufficient capital in order to meet short-term obligations and at the same time preserve investor's confidence required to sustain future development of the business.

The Company is not exposed to any externally imposed capital requirements.

	2019 T.DKK	2018 T.DKK
22. Other liabilities		
Accrued costs, including project related costs	0	2.713
Accrued holiday pay	8.061	14.182
Payroll liabilities	116	4.485
Contract work, loss	606	1.409
	8.783	**22.789**

23. Prepayments

	2019 T.DKK	2018 T.DKK
Accrued income from grants received for development projects	1.237	8.865
Accrued rental rebate	1.305	729
	2.542	**9.594**

Notes

24. Contractual commitments and contingent liabilities

Operating leases	**2019 T.DKK**	**2018 T.DKK**
Operating lease commitments:		
Due within 1 year	542	5.152
Due between 1 and 5 years	356	16.311
Due after 5 years	0	0
	898	**21.463**
Lease payments recognised as an expense amount to	638	5.483

Lease commitments primarily relate to IT equipment.

There are no pending court and arbitration cases.

Guarantees
GomSpace has provided the following guarantees as at 31 December 2019 and 2018:
- Guarantees of T.DKK 16,481 (T.DKK 10,049 in 2018) to unrelated parties for the performance in contracts. No liability is expected to arise.

Regarding debt to credit institutions, the Company has provided security in the Company's assets representing a nominal value of T.DKK 32,500 (T.DKK 32,500 in 2018). The carrying amount of the Company's assets amounts to T.DKK 158,114 (T.DKK 163,986 in 2018). This security comprises the below assets:

- Intangible assets
- Property, plant and equipment
- Inventories
- Trade receivables

The above amount only contains non-terminable operating lease payments.

Notes

25. Financial risks

General risk management

Due to its activities, the Company is exposed to various financial risks, including changes in foreign currency, interest, liquidity and credit risks. The Company manages the risks centrally and follows the policies approved by the Board of Directors. The Company does not actively engage in speculation of financial risks.

During the spring of 2020, the financial impact of the Covid-19 Corona virus was apparent within a number of industries. As regards our business, there has been no effect to date and we also have a sound order book, though it is difficult to make an assessment of the long-term effect as we are only in the initial phases of this situation.

Credit risks

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities which mainly relate to contract work in progress, trade receivables and other receivables, and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. Maximum exposure corresponds to the carrying amount. For sale of products, an advance payment is received from the customer.

Until 1 January 2018, impairment was performed to cover losses, this was done based on an assessment of whether an objective indication had been made for the individual amount receivable or whether a portfolio had decreased in value. Objective indicators were based on historical experience on losses.

On 1 January 2018, the Company implemented IFRS 9 which allows for an assessment of impairment needs regarding impairment of financial assets measured at amortized cost, including trade receivables and contract work, according to the simplified expected credit loss model. The model entails that the expected loss over the asset's useful life is recognized immediately in the income statement and monitored on an ongoing basis according to the Company's risk management until realization. Impairment is computed based on expected loss rates which are stated individually, distributed by geographical location. Loss rates are computed on the basis of historical data. This data is based on expected loss over the total maturity of the amount receivable, corrected for estimates of the effect of expected changes in relevant parameters, for instance financial development, political risks etc. on the market in question.

Notes

25. Financial risks (continued)

The Company assesses the risks of losses on an ongoing basis and, if necessary, write-downs are made according to the Company's policies. Excess cash is placed with banks with ratings A or above. As of today, a material part of the Company's sales and revenue is generated from a few larger customers. There is a 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. Should the Company lose business from all or some of its top customers, it may have an adverse impact on the Company's business, financial position and profits in the future. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any deliveries to major customers are generally covered by letters of credit or other forms of credit insurance. Customer agreements are mainly entered into for specific and isolated orders and there are no framework agreements or the like that would ensure repeated orders and future sales.

The Company's customers are both public and private enterprises. Total trade receivables amount to T.DKK 21,284 (T.DKK 44,045) as at 31 December 2019 of which 58% (11%) are public customers and 42% (89%) are industry customers.

An impairment analysis is performed at each reporting date. The management assesses credit risk in relation to the individual customer, taking into account whether they are public customers who are deemed to have a lower credit risk than industry customers. Except from the increased risks mentioned in note 2, the Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions. The Company's activities take place in the global market for nanosatellites and management does not distinguish between customers' geographical affiliations in the credit risk assessment. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 26.

Foreign exchange risks

The Company's sales, cost of goods sold and expenses are mainly incurred in EUR, USD and SEK. The Company has transactions in other currencies, but exposure in those currencies is not significant.

There is no foreign currency hedging regarding transactions in foreign currency.

A change in foreign exchange rates of +/- 1% concerning assets and liabilities in EUR will have an effect on result and equity before tax with T.DKK 221 (2018: T.DKK 348) based on net position at the balance day.

A change in foreign exchange rates of +/- 10% concerning assets and liabilities in USD will have an effect on result and equity before tax with T.DKK 573 (2018: T.DKK 46) based on net position at the balance day.

Notes

25. Financial risks (continued)

A change in foreign exchange rates of +/- 10% concerning assets and liabilities in SEK will have an effect on result and equity before tax with T.DKK 7,528 (2018: T.DKK 566) based on net position at the balance day.

Interest rate risk

The Company's loans are carried at variable interest rates. A change in the interest level will have limited effect on the result or equity based on interest bearings loan at the balance day.
A change in the interest rates of +/- 1% will have an effect on result and equity before tax with T.DKK 16 (2018: T.DKK 18).

Liquidity risk

Funding and adequate liquidity are fundamental factors in driving an expanding business, and management of both is an integrated part of the Company's continuous budget and forecasting process. To ensure focus on managing the risks related to funding and liquidity, the Company manages and monitors funding and liquidity and ensures the availability of required liquidity through cash management and borrowing facilities.

The Company's long-term financing consists of a loan from Vækstfonden under EU's InnovFin SMV Programme in 2015. The loan bears a floating rate, 6.55% and 7.73% p.a. as at 31 December 2019 (2018: 6.3%, 7.4% and 7.5% p.a.). The loan can be redeemed by GomSpace at par value at any time and is subject to change of control and transfer of assets clauses.

	0-1 year T.DKK	1-5 years T.DKK	>5 years T.DKK	Total contractual cash flow T.DKK	Carrying amount T.DKK
31 December 2019					
Borrowings from credit institutions	7.634	12.933	0	20.567	17.067
Leasing liabilities	6.388	22.004	3.438	31.830	29.630
Trade and other payables	18.180	0	0	18.180	18.180
	32.202	**34.937**	**3.438**	**70.577**	**64.877**
31 December 2018					
Borrowings from credit institutions	7.923	17.337	3.231	28.491	23.333
Leasing liabilities	968	2.195	0	3.163	2.965
Trade and other payables	31.609	0	0	31.609	31.609
	40.500	**19.532**	**3.231**	**63.263**	**57.907**

The analysis is based on all undiscounted cash flows, including estimated interest payments and expected instalments on loans. The estimates on interest are based on current market conditions.

Notes

25. Financial risks (continued)

Fair value of the loan from Vækstfonden is determined to be equal to its carrying amount due to the issuance of the loan (level 2 in the fair value hierarchy). Fair value of short-term liabilities is determined to equal their carrying amount.

The payment obligations are expected to be settled through cash inflows from operating activities and through cash inflows and cash from the parent company.

Notes

26. Classification of financial assets and liabilities

31 December 2019	Financial assets measured at amortised cost price T.DKK	Financial liabilities measured at amortised cost prices T.DKK	Total carrying amount T.DKK
Assets			
Trade and other receivables, incl. contract work	21.668	0	21.668
Cash and cash equivalents	7.006	0	7.006
Total assets	28.674	0	28.674
Liabilities			
Credit institutions	0	17.067	17.067
Leasing liabilitites	0	29.630	29.630
Trade payables	0	88.422	88.422
Other payables	0	8.783	8.783
Prepayments, incl. contract work	0	2.542	2.542
Total liabilities	0	146.444	146.444
31 December 2018			
Assets			
Trade and other receivables	46.353	0	46.353
Cash and cash equivalents	7.425	0	7.425
Total assets	53.778	0	53.778
Liabilities			
Credit institutions	0	23.248	23.248
Leasing liabilitites	0	3.050	3.050
Trade payables	0	23.357	23.357
Other payables	0	22.789	22.789
Prepayments	0	9.594	9.594
Total liabilities	0	82.038	82.038

Notes

26. Classification of financial assets and liabilities (continued)
No financial instruments are measured at fair value as at 31 December 2019 and 2018.

The different levels of fair value 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 for the asset or liability which are not based on observable market data (non-observable inputs) (Level 3).

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.

Notes

27. Liabilities from financing activities

31 December 2019	At the beginning of the year T.DKK	Cash flow T.DKK	Non-cash alterations: Borrowing costs, amortisation T.DKK	Non-cash alterations: Cancelled leasing agreement T.DKK	At the end of the year T.DKK
Credit insitutions (loan from Vækstfonden)	23.333	-6.347	81	0	17.067
Leasing liabilities	35.350	-5.625	0	-95	29.630
Other liabilities	0	2.100	0	0	2.100
Total liabilities from financing activities	**58.683**	**-9.872**	**81**	**-95**	**48.797**

31 December 2018	At the beginning of the year T.DKK	Cash flow T.DKK	Non-cash: Convertion of debt to equity T.DKK	At the end of the year T.DKK
Credit insitutions (loan from Vækstfonden)	25.697	-2.364	0	23.333
Leasing liabilities	0	2.965	0	2.965
Borrowings, parent company	-1.866	98.000	-98.000	-1.866
Total liabilities from financing activities	**23.831**	**98.601**	**-98.000**	**24.432**

28. Changes in net working capital

	2019 T.DKK	2018 T.DKK
Changes in inventories	-8.169	-14.598
Changes in trade receivables	13.488	-22.141
Changes in other receivables	11.207	-1.123
Changes in trade and other payables	49.424	9.362
	65.950	**-28.500**

29. Non-cash items

	2019 T.DKK	2018 T.DKK
Exchange rate adjustments	-902	1.869
Grants deducted in fixed assets	7.517	-4.230
Profit (loss) on fixed assets	2.116	-5.064
Effect of cancelling the SSG order	3.639	0
	12.370	**-7.425**

Notes

30. Government grants

During 2019, the Company received T.DKK 4,216 in public grants for investments (T.DKK 6,806 in 2018) which are set off against the cost of the assets to which the grants relate. Hereof T.DKK 308 (T.DKK 4,230 in 2018) are presented as prepayments.

31. Related parties

GomSpace A/S' related parties comprise GomSpace Group AB as shareholder with an ownership of 100%, as well as affiliated companies, the Board of Directors and the management team. Further, related parties comprise companies in which the above-mentioned persons have significant interest.

The Company had expenses for contract work, management fee and interest of loans to shareholders (with significant influence over the Company) at an amount of T.DKK 26,058 (T.DKK 18,249 in 2018), apart from management costs in note 4. Hereof T.DKK 1,291 (T.DKK 2,577 in 2018) are booked as intangible assets on in-process development projects.

The Company had income from mangement fee, accounting and legal assistance to shareholders (with significant influence over the Company) at an amount of T.DKK 18,828 (T.DKK 16,510 in 2018). Receivables from related parties amount to T.DKK 590 at 31 December 2019 (T.DKK 9,281 at 31 December 2018).

The Company had sale of goods and services to associates at a total amount of a negative T.DKK 1,138 (T.DKK 33,517 in 2018).

Payables to related parties amount to T.DKK 79,025 at 31 December 2019 (T.DKK 14,537 at 31 December 2018).

The Danish companies participate in joint taxation. GomSpace A/S, as the administrator of the joint taxation, bears unlimited liability for Danish corporation tax and tax at source on dividends, interest and royalties within the joint taxation scheme.

32. Events after the balance sheet date

No material events have occurred subsequent to the balance sheet date.

During the spring of 2020, the financial impact of the Covid-19 Corona virus was apparent within a number of industries. As regards our business, there has been no effect to date and we also have a sound order book, though it is difficult to make an assessment of the long-term effect as we are only in the initial phases of this situation.

Notes

33. New accounting standards

The Company intends to adopt the new and amended standards and interpretations, if applicable, when these become effective. No significant impact on consolidated financial statements are expected from the new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements.

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