

1. Company details

Name of entity:	Kleos Space S.A.
ARBN:	625 668 733
RCS:	B215591
Reporting period:	For the half-year ended 30 June 2019
Previous period:	For the half-year ended 30 June 2018

2. Results for announcement to the market

The consolidated entity has adopted International Financial Reporting Standard ('IFRS') 16 'Leases' during the half-year ended 30 June 2019 using the modified retrospective approach and as such comparatives have not been restated. Refer to Note 2 to the interim consolidated financial statements for further information.

			€
Revenues from ordinary activities	down	100.0% to	-
Loss from ordinary activities after tax attributable to the owners of Kleos Space S.A.	up	48.3% to	(1,809,454)
Loss for the half-year attributable to the owners of Kleos Space S.A.	up	48.3% to	(1,809,454)

Dividends

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

Comments

The loss for the consolidated entity after providing for income tax amounted to €1,809,454 (30 June 2018: €1,220,062).

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

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per CHESS Depository Interests ('CDI')	4.07	(2.88)

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

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

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

10. Audit qualification or review

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

The interim consolidated financial statements as at and for the half-year ended 30 June 2019 were subject to a review by the auditor and the review report is attached.

11. Attachments

Details of attachments (if any):

The Directors' Report, Responsibility Statement, Interim Consolidated Financial Statements as at and for the half-year ended 30 June 2019 and the Report of the Réviseur d'Entreprises Agréé are attached.

12. Signed

Signed  _____

Andrew Bowyer
Director
Luxembourg

Date: 29 August 2019

Kleos Space S.A.

ARBN 625 668 733 / RCS B215591

Directors' Report, Responsibility Statement, Interim Consolidated Financial Statements as at and for the half-year ended 30 June 2019 and the Report of the Réviseur d'Entreprises Agréé

Principal place of business:

26, rue des Gaulois
L-1618 Luxembourg
Luxembourg

Registered office:

Level 7, 330 Collins Street
Melbourne VIC 3000
Australia

Capital:

CHES Depository Interests – Number of CDIs on issue at reporting date 106,627,500

Corporate directory	2
Directors' report	3
Responsibility statement	5
Consolidated statement of profit or loss and other comprehensive income	6
Consolidated statement of financial position	7
Consolidated statement of changes in equity	8
Consolidated statement of cash flows	9
Notes to the consolidated financial statements	10
Report of the Réviseur d'Entreprises Agréé	19

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Directors	Peter Round (Chairman and Executive Chairman) Andrew Bowyer (Chief Executive Officer and Managing Director) Miles Ashcroft (Chief Technical Officer and Executive Director) David Christie (Non-Executive Director)
Company secretary	Mertons Corporate Services
Australian postal address	Level 9, Nishi Building 2 Phillips Law Street New Action Canberra ACT 2601 Australia
Australian Registered office	Level 7, 330 Collins Street Melbourne VIC 3000 Australia
Principal place of business	26 rue des Gaulois L-1618 Luxembourg Luxembourg
Share register	Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000 Australia
Auditor	Deloitte Audit S.à r.l. 20 Boulevard de Kockelscheuer, L-1821 Luxembourg Luxembourg
Stock exchange listing	Kleos Space S.A. CDIs are listed on the Australian Securities Exchange (ASX code: KSS) and on the Frankfurt Stock Exchange (FRA code: KS1)
Website	www.kleos.space

The directors present their report, together with the interim consolidated financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Kleos Space S.A. (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2019.

Directors

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

Andrew Bowyer
Miles Ashcroft
David Christie
Peter Round

Principal activities

The principal activity of the consolidated entity during the financial half-year was to undertake the development of the Space enabled, activity-based intelligence, data-as-a-service products. The consolidated entity aims to guard borders, protect assets and save lives by delivering global activity-based intelligence and geolocation-as-a-service. The first Kleos Space satellite system, known as Kleos Scouting Mission ('KSM'), will deliver commercially available data and perform as a technology demonstration. KSM will be the keystone for a later global high capacity constellation. The Scouting Mission will deliver targeted daily services with the full constellation delivering near-real-time global observation.

The Company research and development personnel are involved in the development of Radio Frequency ('RF') geolocation techniques, RF signal analysis techniques, data science techniques including machine learning, satellite technologies, and data processing methodologies in order to provide a RF Geolocation Data-as-a-Service series of products to information users in the defence and security Intelligence Surveillance and Reconnaissance market and as well to perform the necessary tests on the equipment for launching their own Low Earth Orbit ('LEO') nano-satellite Earth Observation.

Dividends

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to €1,809,454 (30 June 2018: €1,220,062).

The key categories of expenditure in the consolidated entity for the financial half-year were remuneration expenses, consulting and professional fees, research and development costs, and general administrative expenses.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial half-year

On 22 August 2019, the Company announced that it had agreed a binding term sheet for a A\$3,000,000 secured convertible note to fund the procurement of the second cluster of satellites.

Subsequent to the end of the financial half-year, the Company changed the provider of the launch vehicle for its KSM mission to an alternative provider. The Company does not expect any operational or financial consequences as a result of this change.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

On behalf of the directors



Andy Bowyer
Director

29 August 2019
Luxembourg

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We confirm to the best of our knowledge that:

- (a) The interim consolidated financial statements of Kleos Space S.A. presented in this report and established in conformity with International Financial Reporting Standards as adopted in the European Union give a true and fair view of the interim financial position and results of Kleos Space S.A. and the undertakings included within the consolidation taken as a whole; and
- (b) The Directors' report presented in this report includes a fair review of the development and performance of the business and position of Kleos Space S.A. and the undertakings included within the consolidation taken as a whole.

On behalf of the directors



Andy Bowyer
Director

29 August 2019
Luxembourg

Kleos Space S.A.
 Consolidated statement of profit or loss and other comprehensive income
 For the half-year ended 30 June 2019



	Note	Consolidated 1 Jan 2019 to 30 Jun 2019 €	1 Jan 2018 to 30 Jun 2018 €
Income - Government grants	4	-	436,109
Net gain on derivative financial instruments		-	142,121
Expenses			
Operating expenses	5	(520,099)	(800,697)
Employee benefit expenses	6	(1,171,692)	(821,048)
Research and development expenses		(59,501)	(173,801)
Depreciation expense		(30,417)	(370)
Other expenses		(10,047)	(2,154)
Finance costs		(17,698)	(222)
Total expenses		<u>(1,809,454)</u>	<u>(1,798,292)</u>
Loss before income tax expense		(1,809,454)	(1,220,062)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Kleos Space S.A.		(1,809,454)	(1,220,062)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		6,863	-
Other comprehensive income for the half-year, net of tax		6,863	-
Total comprehensive income for the half-year attributable to the owners of Kleos Space S.A.		<u>(1,802,591)</u>	<u>(1,220,062)</u>
		Cents	Cents
Basic earnings per CDI	7	(1.70)	(3.20)
Diluted earnings per CDI	7	(1.70)	(3.20)

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

	Note	Consolidated 30 Jun 2019 €	31 Dec 2018 €
Assets			
Current assets			
Cash and cash equivalents	8	1,731,617	4,263,626
Accrued income from government grants	4	-	391,600
Other current assets	9	1,110,981	672,237
Total current assets		<u>2,842,598</u>	<u>5,327,463</u>
Non-current assets			
Property, plant and equipment	10	2,213,776	1,917,761
Right-of-use assets	11	61,675	-
Total non-current assets		<u>2,275,451</u>	<u>1,917,761</u>
Total assets		<u>5,118,049</u>	<u>7,245,224</u>
Liabilities			
Current liabilities			
Trade payables	12	691,836	728,710
Accrued expenses		7,431	754,189
Lease liabilities - right-of-use assets	13	51,437	-
Other current liabilities		16,400	717
Total current liabilities		<u>767,104</u>	<u>1,483,616</u>
Non-current liabilities			
Lease liabilities - right-of-use assets	14	9,609	-
Total non-current liabilities		<u>9,609</u>	<u>-</u>
Total liabilities		<u>776,713</u>	<u>1,483,616</u>
Net assets		<u>4,341,336</u>	<u>5,761,608</u>
Equity			
Contributed equity	15	7,687,994	7,687,994
Reserves	16	843,269	459,012
Accumulated losses		(4,189,927)	(2,385,398)
Total equity		<u>4,341,336</u>	<u>5,761,608</u>

Consolidated	Contributed equity €	Reserves €	Accumulated losses €	Total deficit €
Balance at 1 January 2018	12,500	-	(183,494)	(170,994)
Loss after income tax expense for the half-year	-	-	(1,220,062)	(1,220,062)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(1,220,062)	(1,220,062)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	191,470	-	-	191,470
Share-based payments	-	250,618	-	250,618
Balance at 30 June 2018	<u>203,970</u>	<u>250,618</u>	<u>(1,403,556)</u>	<u>(948,968)</u>

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

	Consolidated	
	1 Jan 2019 to 30 Jun 2019 €	1 Jan 2018 to 30 Jun 2018 €
Cash flows from operating activities		
Receipts from grants	391,600	-
Payments to suppliers	(2,583,775)	(1,031,915)
Interest paid	(17,698)	(222)
Net cash used in operating activities	<u>(2,209,873)</u>	<u>(1,032,137)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	<u>(300,000)</u>	<u>(438,133)</u>
Net cash used in investing activities	<u>(300,000)</u>	<u>(438,133)</u>
Cash flows from financing activities		
Proceeds from issue of CDIs	-	3,470
Proceeds from issue of convertible notes	-	1,492,253
Repayment of lease liabilities	(22,136)	-
Net cash (used in)/from financing activities	<u>(22,136)</u>	<u>1,495,723</u>
Net (decrease)/increase in cash and cash equivalents	(2,532,009)	25,453
Cash and cash equivalents at the beginning of the financial half-year	<u>4,263,626</u>	<u>456,590</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>1,731,617</u></u>	<u><u>482,043</u></u>

Note 1. General information

The interim consolidated financial statements cover Kleos Space S.A. ('Company' or 'parent entity') as a consolidated entity consisting of Kleos Space S.A. and the entity it controlled at the end of, or during, the half-year, together are referred to in these interim consolidated financial statements as the 'consolidated entity'.

The Company is a Société Anonyme - public limited liability company, incorporated and domiciled in Luxembourg. The Company is dual-listed on the Australian Securities Exchange ('ASX') and Frankfurt Stock Exchange ('FRA').

Its Australian registered office and principal place of business are:

Registered office

Level 7, 330 Collins Street
Melbourne VIC 3000
Australia

Principal place of business

26 rue des Gaulois
L-1618, Luxembourg
Luxembourg

The principal activity of the consolidated entity during the financial half-year was to undertake the development of the Space enabled, activity-based intelligence, data-as-a-service products. The consolidated entity aims to guard borders, protect assets and save lives by delivering global activity-based intelligence and geolocation-as-a-service. The first Kleos Space satellite system, known as Kleos Scouting Mission ('KSM'), will deliver commercially available data and perform as a technology demonstration. KSM will be the keystone for a later global high capacity constellation. The Scouting Mission will deliver targeted daily services with the full constellation delivering near-real-time global observation.

The Company research and development personnel are involved in the development of Radio Frequency ('RF') geolocation techniques, RF signal analysis techniques, data science techniques including machine learning, satellite technologies, and data processing methodologies in order to provide a RF Geolocation Data-as-a-Service series of products to information users in the defence and security Intelligence Surveillance and Reconnaissance market and as well to perform the necessary tests on the equipment for launching their own LEO nano-satellite Earth Observation.

The interim consolidated financial statements were authorised for issue, in accordance with a resolution of the Board of Directors, on 29 August 2019.

Note 2. Significant accounting policies

These general purpose interim consolidated financial statements for the interim half-year reporting period ended 30 June 2019 have been prepared in accordance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting' as adopted in the European Union.

These interim consolidated financial statements do not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, these interim consolidated financial statements are to be read in conjunction with the Company's consolidated financial statements for the year ended 31 December 2018.

The principal accounting policies adopted are consistent with those of the previous financial period, in addition to the policies stated below.

New or amended Accounting Standards and Interpretations adopted

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

Except for IFRS 16, the adoption of these new and amended accounting standards and interpretations did not have any significant impact on the financial performance or position of the consolidated entity during the financial half-year ended 30 June 2019 and are not expected to have any significant impact for the financial year ending 31 December 2019.

Note 2. Significant accounting policies (continued)

IFRS 16 Leases (modified retrospective approach)

The consolidated entity has adopted IFRS 16 from 1 January 2019. The standard replaces IAS 17 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under IFRS 16 will be higher when compared to lease expenses under IAS 17. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption

IFRS 16 is adopted using the modified retrospective approach and as such comparatives have not been restated. The impact of adoption on opening accumulated losses as at 1 January 2019 was as follows:

	1 January 2019 €
Operating lease commitments as at 1 January 2019 (IAS 17)	98,500
Operating lease commitments discount based on the weighted average incremental borrowing rate of 20% (IFRS 16)	<u>(15,318)</u>
Lease liabilities - recognised as at 1 January 2019	<u><u>83,182</u></u>
Right-of-use assets recognised as at 1 January 2019 (IFRS 16)	88,107
Lease liabilities - current (IFRS 16)	(46,581)
Lease liabilities - non-current (IFRS 16)	<u>(36,601)</u>
Decrease in opening accumulated losses as at 1 January 2019	<u><u>4,925</u></u>

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Note 2. Significant accounting policies (continued)

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

The Company did not adopt any standards, amendments or interpretations prior to their mandatory effective dates.

Going concern

These interim consolidated financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

During the half-year ended 30 June 2019 the consolidated entity incurred a net loss of €1,809,454 (30 June 2018: net loss of €1,220,062). As at 30 June 2019 the consolidated entity has net current assets of €2,075,494 (31 December 2018: net current assets €3,843,847) including cash and cash equivalents of €1,731,617 (31 December 2018: €4,263,626).

In order to raise sufficient additional funding to meet the requirements of the consolidated entity and to manage its future cash outflows, since 30 June 2019 the consolidated entity have undertaken the following initiatives:

- developed the satellites to launch in 2019 to deliver a revenue stream commencing in 2019
- developed additional funding routes to ensure the required funding to achieve operations;
- channel partner agreements have been signed to generate revenue post-launch of KSM;
- undertaken a programme to continue to monitor the consolidated entity's ongoing working capital requirements in line with Board approved budgets; and
- continued its focus on maintaining an appropriate level of corporate overheads in line with the consolidated entity's available cash resources and Board approved budgets.

Having considered the above factors, the directors are confident the consolidated entity will be able to continue as a going concern and pay their debts for at least 12 months from approval of these interim consolidated financial statements.

No adjustments have been made relating to the recoverability of recorded asset values and classification of assets and liabilities that might be necessary should the consolidated entity be unable to continue as a going concern.

Note 3. Operating segments

Identification of reportable operating segments

The consolidated entity operates in one segment (Research and Development - technology), based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

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

Note 4. Income - Government grants

Grant income

	Consolidated	
	1 Jan 2019 to 30 Jun 2019 €	1 Jan 2018 to 30 Jun 2018 €
	-	436,109

Note 4. Income - Government grants (continued)

The consolidated entity's only income source related to funding received as part of a grant made by the European Space Agency acting on behalf of the Government of Luxembourg. To the extent that all payments are made by the Agency against relevant milestone delivery, the consolidated entity recognises revenue in profit or loss in line with expenditure and recognises the balance as a liability in the statement of financial position. Accrued income is recognised as an asset for amount receivable against revenue recognised on milestone delivery. The consolidated entity recognised revenue of €nil (30 June 2018: €436,109) in line with expenditure incurred during the half-year ended 30 June 2019.

The reconciliation of grant money received to revenue recognised is as follows:

	Consolidated	
	1 Jan 2019 to 30 Jun 2019 €	1 Jan 2018 to 30 Jun 2018 €
Income recognised – conditions satisfied	-	436,109
Income accrued – conditions satisfied	-	391,600
Total grant funding received	<u>-</u>	<u>827,709</u>

The Company received €391,600 during the half-year ended 30 June 2019 (30 June 2018: €nil). Total grant funding received up to the reporting date is €1,076,000 against a grant commission of €2,958,000.

Note 5. Operating expenses

	Consolidated	
	1 Jan 2019 to 30 Jun 2019 €	1 Jan 2018 to 30 Jun 2018 €
Administration expenses	145,304	166,765
Consulting and professional fees	271,091	525,027
Occupancy expenses	581	18,700
Travel expenses	103,123	83,074
Other operating expenses	-	7,131
	<u>520,099</u>	<u>800,697</u>

The consulting and professional fees for the period ended 30 June 2018 include the Company's initial public offering fees.

Note 6. Employee benefit expenses

	Consolidated	
	1 Jan 2019 to 30 Jun 2019 €	1 Jan 2018 to 30 Jun 2018 €
Salaries and benefits	794,298	570,430
Share-based payments	377,394	250,618
	<u>1,171,692</u>	<u>821,048</u>

Note 7. Earnings per CDI

	Consolidated	
	1 Jan 2019 to 30 Jun 2019 €	1 Jan 2018 to 30 Jun 2018 €
Loss after income tax attributable to the owners of Kleos Space S.A.	<u>(1,809,454)</u>	<u>(1,220,062)</u>
	Number	Number
Weighted average number of ordinary CDIs used in calculating basic earnings per CDI	<u>106,627,500</u>	<u>38,080,385</u>
Weighted average number of ordinary CDIs used in calculating diluted earnings per CDI	<u>106,627,500</u>	<u>38,080,385</u>
	Cents	Cents
Basic earnings per CDI	(1.70)	(3.20)
Diluted earnings per CDI	(1.70)	(3.20)

At 30 June 2019, nil convertible notes (30 June 2018: 14,687,500) have been included in the calculation of the weighted average number of CDIs used in calculating earnings per CDI due to their mandatorily convertible feature.

At 30 June 2019, 29,500,000 (30 June 2018: 33,500,000) performance rights and 4,000,000 (30 June 2018: nil) options over CDIs have been excluded from the calculation of the weighted average number of CDIs used in calculating diluted earnings per CDI as they are anti-dilutive.

Note 8. Current assets - cash and cash equivalents

	Consolidated	
	30 Jun 2019 €	31 Dec 2018 €
Cash on hand	94	88
Cash at bank	1,716,751	4,248,766
Cash on deposit	<u>14,772</u>	<u>14,772</u>
	<u>1,731,617</u>	<u>4,263,626</u>

The cash and cash equivalents disclosed above and in the statement of cash flows include €14,772 (31 December 2018: €14,772) which represents deposits held by various landlords. These deposits are not available to the consolidated entity for general use.

Note 9. Current assets - other current assets

	Consolidated	
	30 Jun 2019 €	31 Dec 2018 €
Prepayments	917,678	520,839
Net VAT refundable	<u>193,303</u>	<u>151,398</u>
	<u>1,110,981</u>	<u>672,237</u>

Note 10. Non-current assets - property, plant and equipment

	Consolidated	
	30 Jun 2019	31 Dec 2018
	€	€
Computer equipment - at cost	5,149	5,149
Less: Accumulated depreciation	<u>(2,282)</u>	<u>(1,648)</u>
	<u>2,867</u>	<u>3,501</u>
Tools and equipment - at cost	67,245	67,245
Less: Accumulated depreciation	<u>(7,715)</u>	<u>(4,399)</u>
	<u>59,530</u>	<u>62,846</u>
Furniture - at cost	350	350
Less: Accumulated depreciation	<u>(87)</u>	<u>(52)</u>
	<u>263</u>	<u>298</u>
Satellite equipment (construction-in-progress)	<u>2,151,116</u>	<u>1,851,116</u>
	<u><u>2,213,776</u></u>	<u><u>1,917,761</u></u>

Reconciliations

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

Consolidated	Computer equipment €	Tools and equipment €	Furniture €	Satellite equipment (construction- in-progress) €	Total €
Balance at 1 January 2019	3,501	62,846	298	1,851,116	1,917,761
Additions	-	-	-	300,000	300,000
Depreciation expense	<u>(634)</u>	<u>(3,316)</u>	<u>(35)</u>	-	<u>(3,985)</u>
Balance at 30 June 2019	<u><u>2,867</u></u>	<u><u>59,530</u></u>	<u><u>263</u></u>	<u><u>2,151,116</u></u>	<u><u>2,213,776</u></u>

Note 11. Non-current assets - right-of-use assets

	Consolidated	
	30 Jun 2019	31 Dec 2018
	€	€
Office premises - right-of-use	88,107	-
Less: Accumulated depreciation	<u>(26,432)</u>	<u>-</u>
	<u><u>61,675</u></u>	<u><u>-</u></u>

There were no additions to the right-of-use assets during the half-year ended 30 June 2019.

The right-of-use assets relate to the consolidated entity's office premises.

Note 12. Current liabilities - trade payables

	Consolidated	
	30 Jun 2019	31 Dec 2018
	€	€
Trade payables	691,836	728,710
	<u>691,836</u>	<u>728,710</u>

Trade payables

Trade payables primarily represents amounts due for satellite equipment.

Note 13. Current liabilities - lease liabilities - right-of-use assets

	Consolidated	
	30 Jun 2019	31 Dec 2018
	€	€
Lease liabilities - right-of-use assets	51,437	-
	<u>51,437</u>	<u>-</u>

Lease liabilities - right-of-use assets

Lease liabilities relate to the right-of-use of the consolidated entity's office premises.

Note 14. Non-current liabilities - lease liabilities - right-of-use assets

	Consolidated	
	30 Jun 2019	31 Dec 2018
	€	€
Lease liabilities - right-of-use assets	9,609	-
	<u>9,609</u>	<u>-</u>

Lease liabilities - right-of-use assets

Note 15. Equity - contributed equity

	Consolidated			
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
	CDIs	CDIs	€	€
CHES Depository Interests - fully paid	106,627,500	106,627,500	7,687,994	7,687,994
	<u>106,627,500</u>	<u>106,627,500</u>	<u>7,687,994</u>	<u>7,687,994</u>

CHES Depository Interests - fully paid

CDI buy-back

There is no current on-market CDI buy-back.

Note 16. Equity - reserves

	Consolidated	
	30 Jun 2019	31 Dec 2018
	€	€
Foreign currency reserve	7,345	482
Share-based payments reserve	835,924	458,530
	<u>843,269</u>	<u>459,012</u>

Foreign currency reserve

Share-based payments reserve

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Euro.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Note 16. Equity - reserves (continued)

Movements in reserves

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

Consolidated	Foreign currency €	Share-based payments €	Total €
Balance at 1 January 2019	482	458,530	459,012
Foreign currency translation	6,863	-	6,863
Share-based payments	-	377,394	377,394
Balance at 30 June 2019	<u>7,345</u>	<u>835,924</u>	<u>843,269</u>

Note 17. Equity - dividends

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

Note 18. Non-cash investing and financing activities

	Consolidated 1 Jan 2019 to 30 Jun 2019 €	Consolidated 1 Jan 2018 to 30 Jun 2018 €
CDIs issued on conversion of loan	-	<u>188,000</u>

Note 19. Contingent liabilities

The consolidated entity had no contingent liabilities as at 30 June 2019 and 31 December 2018.

Note 20. Commitments

	Consolidated 30 Jun 2019 €	Consolidated 31 Dec 2018 €
<i>Capital commitments</i> Committed at the reporting date but not recognised as liabilities, payable: Property, plant and equipment (satellite and launch)	<u>951,500</u>	<u>2,159,000</u>

The capital expenditure in relation to property, plant and equipment represents the Company's contract for the Satellite procurement.

Note 21. Related party transactions

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

Transactions with related parties

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

Receivable from and payable to related parties

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

Loans to/from related parties

On 28 May 2018, the loan with immediate parent entity (€188,000) was converted to 1,540,000 CDIs in the Company.

Note 22. Events after the reporting period

On 22 August 2019, the Company announced that it had agreed a binding term sheet for a A\$3,000,000 secured convertible note to fund the procurement of the second cluster of satellites.

Subsequent to the end of the financial half-year, the Company changed the provider of the launch vehicle for its KSM mission to an alternative provider. The Company does not expect any operational or financial consequences as a result of this change.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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Report of the Réviseur d'Entreprises Agréé

To the Shareholders of
Kleos Space S.A.
26 Rue de Gaulois,
L-1681 Luxembourg

REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Kleos Space S.A. as of 30 June 2019, and the related interim consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six months period ended 30 June 2019 (the "Interim Financial Information"). The Board of Directors is responsible for the preparation and fair presentation of this interim financial information in accordance with standard IAS 34 "Interim Financial Reporting" as adopted in the European Union. Our responsibility is to express a conclusion on this Interim Financial Information based on our review.

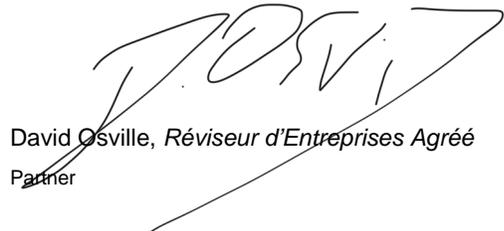
Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Financial Information is not prepared, in all material respects, in accordance with standard IAS 34 "Interim Financial Reporting" as adopted in the European Union.

For Deloitte Audit, *Cabinet de Révision Agréé*



David Osville, *Réviseur d'Entreprises Agréé*
Partner

29 August 2019