Kleos Space S.A.
Appendix 4D
Half-year report

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 2022
Previous period:	For the half-year ended 30 June 2021

2. Results for announcement to the market

				€
Revenues from ordinary activities	up	54.4%	to	106,848
Loss from ordinary activities after tax attributable to the owners of Kleos Space S.A.	down	18.2%	to	(3,655,900)
Loss for the half-year attributable to the owners of Kleos Space S.A.	down	18.2%	to	(3,655,900)

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

Comments
The loss for the Group after providing for income tax amounted to €3,655,900 (30 June 2021: €4,467,268).

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

3. Net tangible assets

	30 Jun 2022 Cents	31 Dec 2021 Cents
Net tangible assets per CHESS Depository Interests ('CDI')	4.58	6.71

Net tangible assets calculations above include the right-of-use assets and lease liabilities.

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 of the Group for the half-year ended 30 June 2022 were subject to a review and the review report is attached. The review report contains a paragraph emphasising a material uncertainty related to going concern.

11. Attachments

Details of attachments (if any):

The Directors' report, interim consolidated financial statements and the report of the réviseur d'entreprises agréé of Kleos Space S.A. for the half-year ended 30 June 2022 are attached.

12. Signed

Authorised by the Board of Directors

Signed _____ Date: 23 August 2022

Andrew Bowyer
Director
Luxembourg

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 2022 and the Report of the Réviseur d'Entreprises Agréé

Principal place of business:
Luxite Two
7, Rue de l'Innovation
L-1896 Kockelscheuer
Luxembourg

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

Capital:
CHESS Depository Interests – Number of CDIs on issue at reporting date (23 August 2022) 178,525,876.

Kleos Space S.A.
Contents
30 June 2022

Kleos Space S.A.
Corporate directory
30 June 2022

Directors	Peter Round (Chairman and Executive Chairman) Andrew Bowyer (Chief Executive Officer and Managing Director) David Christie (Non-Executive Director) Dawn Harms (Non-Executive Director)
Company secretary	Vanessa Chidrawi
Australian postal address	Boardroom Pty Ltd Level 12, 225 George Street Sydney, NSW 2000 Australia
Australian Registered office	Boardroom Pty Ltd Level 12, 225 George Street Sydney, NSW 2000 Australia
Principal place of business	Luxite Two 7 Rue de l'Innovation L-1896 Kockelsheuer Luxembourg
Share register	Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000 Australia
Auditor	Ernst & Young S.A. 35E avenue John F. Kennedy L-1855 Luxembourg Luxembourg
Stock exchange listing	Kleos Space S.A. CDIs are listed on the Australian Securities Exchange (ASX code: KSS) and on the Frankfurt Stock Exchange (FRA code: KS1)
Website	www.kleos.space

The directors present their report, together with the interim consolidated financial statements, for the consolidated entity (referred to hereafter as the 'Group') consisting of Kleos Space S.A. (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2022.

Directors

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

Peter Round
Andrew Bowyer
David Christie
Dawn Harms (Appointed on 27 May 2022)
Padraig McCarthy (Resigned on 27 May 2022)

Principal activities

The principal activity of the Group during the financial half-year was to undertake the development of the Space enabled, RF Geospatial Intelligence, data products. The Group aims to guard borders, protect assets and save lives by delivering RF activity-based intelligence and geolocation service.

Kleos' low earth orbit satellite constellation collects data that enables the detection and geolocation of radio frequency transmissions to improve the Intelligence, Surveillance, and Reconnaissance ('ISR') capabilities of governments and commercial entities. Sold as-a-service to qualified customers, Kleos' precision geolocation data enhances the detection of illegal activity, including piracy, drug and people smuggling, border security challenges and illegal fishing. Kleos' data can be used to establish a baseline pattern of behaviour, send alerts, or tip and cue other commercial data sets to improve situational awareness. In H1 2022, Kleos continued converting its geographically diverse pipeline of government defence departments, national security entities, coast guards, and commercial entities to evaluation contracts and backlog.

Kleos is targeting a total constellation (the Guardian Constellation) of up to 20 clusters of four satellites for optimal coverage over key areas of interest. Each new cluster significantly increases Kleos' data collection capability and improves revisit rates over key areas of interest, providing customers with more accurate, and timely, intelligence. Increased data collection capacity increase revenue opportunities.

Satellite collections are downlinked to Earth and then processed using Kleos' proprietary algorithms to deliver frequency, time, latitude, longitude and Earth-Centered Earth Fixed ('ECEF') co-ordinates of radio frequency transmissions as the Kleos geospatial intelligent data product; Guardian LOCATE.

The current Guardian Constellation is formed of the following:

The Scouting Mission (KSM1)
Launched into a 37-degree orbit in November 2020, Kleos' Scouting Mission satellites is the world's first four satellite cluster flown in a formation that was intended to be the demonstrator for the constellation, used for testing and development of the Signal & Geospatial Intelligence intellectual property.

The Vigilance Mission (KSF1)
In June 2021, Kleos successfully launched its four Vigilance Mission (KSF1) satellites aboard the Spaceflight SXRS-5/SpaceX Transporter-2 Mission. Deployed into a 525km Sun Synchronous orbit from Cape Canaveral in Florida, Kleos' second satellite cluster broadens its global coverage range and data collection capability. This cluster is in commissioning.

The Patrol Mission (KSF2)
Kleos' Patrol Mission satellites were launched in April 2022 onboard the SpaceX Transporter-4 Mission, they have been deployed into orbit and are in commissioning.

The Observer Mission (KSF3)
Kleos Observer Mission satellites are manifested to launch on the Transporter-6 SpaceX mission H2 2022.

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

Dividends

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

Review of operations

The loss for the Group after providing for income tax amounted to €3,655,900 (30 June 2021: €4,467,268).

As a result of the loss incurred and the operating cash outflows during the half-year ended 30 June 2022, and pending the completion of the commissioning of satellite clusters and delivery of commercial services, there is a material uncertainty on whether the Group can continue as a going concern. The directors consider that the Group will continue as a going concern, as explained in note 2 to the financial statements.

Significant changes in the state of affairs

Over the first six months of the year, the Company has:

- Diversified its business model to include a Mission-as-a-Service ('MaaS') offering, providing customers with exclusive access to Kleos' dedicated, in-orbit radio frequency reconnaissance satellite clusters for fixed periods of time and capacity;
- Successfully launched the third cluster of four satellites, Patrol Mission, which is the Company's most advanced satellite cluster to date;
- Increased cash receipts to €947,000 from €15,000 for the first six months of 2022 and 2021, respectively;
- Assessed the impairment of two KSM1 demonstrator cluster satellites which experienced a technical malfunction. Subsequent to an extensive technical review including consultation with the supplier and a review of possible performance mitigations, in August 2022 it was concluded that these two satellites could no longer perform their mission. Because these satellite failures reduced the cluster's capabilities, all four satellites have been impaired at this stage. As explained in note 12 to the financial statements, the Company has therefore accounted for an impairment of €2,994,919 in the first six months of 2022, relating to satellite equipment in use; and
- Strengthened the Company's access to seasoned executives with the appointment of Dawn Harms to the Board of Directors.

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

Likely developments and expected results of operations

The Company continues to make significant progress in the development of its satellite constellation, with the following clusters at various stages of development and operations:

Vigilance Mission (Cluster 2 or KSF1)
The satellites are now being moved into their final cluster formation as commissioning has entered its final stages. It is expected that the cluster will become operational in Q3-2022.

Patrol Mission (Cluster 3 or KSF2)
Kleos' Patrol Mission satellites The satellites are now being moved into their final cluster formation, and bus and payload commissioning is ongoing. It is expected that the cluster will become operational in Q4-2022.

Observer Mission (Cluster 4 or KSF3)
Netherlands-based satellite builder Innovative Solutions In Space (ISISpace) is developing Kleos' fourth satellite cluster, the Observer Mission. The KSF3 satellites are manifested to launch on the Transporter- 6 SpaceX mission in Q3-22. The Observer Mission is anticipated to be brought into operational use during H2 2022.

Matters subsequent to the end of the financial half-year

On 10 August 2022, the Company closed a 4-year secured A$10 million debt facility at an initial annual interest rate of 12% that can reduce to 8.5% based on meeting certain monthly revenue milestones. The first tranche of A$6 million was funded on 15 August 2022. Access to the facility's remaining A$4 million is subject to the Company achieving a trailing three-month EBITDA of €250,000 per month. The facility also provides a number of warrants (based on the 20-day volume weighted average price of the Company's stock as at 1 July 2022 for the first tranche of debt and at the time of issuance for the second tranche of the debt) where the number of warrants issued for the first tranche of debt will be 11,792,115.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law, Luxembourg law, or any law or regulation applicable to the European Union.

The Group has obtained a license with specific assignments for the use of frequencies or radio channels for both transmission, and reception pursuant to the law of 30 May 2005 on the organisation and management of radio frequency spectrum. The frequency assignments are recorded by the Luxembourg Institute of Regulators, Institut Luxembourgeois de Régulation ('ILR') in a public file called "register of frequencies". The Group has obtained from the ILR a license for the use of electronic communications networks/services. From an international regulatory perspective, the Group has registered with the International Telecommunication Union ('ITU').

On behalf of the directors

Andy Bowyer
Director

23 August 2022
Luxembourg

Kleos Space S.A.
Responsibility statement
30 June 2022

We confirm to the best of our knowledge that:

1) There are reasonable grounds to believe that Kleos Space S.A. will be able to pay its debts as and when they become due and payable;

2) The interim consolidated financial statements of Kleos Space S.A. presented in this report and established in conformity with International Financial Reporting Standards as adopted in the European Union give a true and fair view of the interim consolidated financial position and interim consolidated results of Kleos Space S.A. and the undertakings included within the consolidation taken as a whole; and

3) The Directors' report presented in this report includes a fair review of the development and performance of the business and position of Kleos Space S.A. and the undertakings included within the consolidation taken as a whole.

On behalf of the directors

Andy Bowyer
Director

23 August 2022
Luxembourg

	Note	Consolidated 1 Jan 2022 to 30 Jun 2022 €	Consolidated 1 Jan 2021 to 30 Jun 2021 €
Revenue	4	106,848	69,197
Operating expenses			
Employee benefit expenses	5	(1,749,693)	(1,290,114)
Research and development expenses		(164,260)	(65,358)
Depreciation expense	12,13	(785,088)	(3,986)
Impairment of assets	12	(2,994,919)	-
Other operating expenses	6	(606,811)	(757,047)
Other income/(expenses)		12,575	(64,383)
Total operating expenses		(6,288,196)	(2,180,888)
Operating loss		(6,181,348)	(2,111,691)
Finance income/(expense)			
Change in fair value of derivative financial instruments	19	2,628,602	(2,125,179)
Finance costs	9	(17,952)	(229,733)
Total finance income/(expense)		2,610,650	(2,354,912)
Loss before income tax expense		(3,570,698)	(4,466,603)
Income tax expense		(85,202)	(665)
Loss after income tax expense for the half-year attributable to the owners of Kleos Space S.A.		(3,655,900)	(4,467,268)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		16,653	(1,486)
Other comprehensive income/(loss) for the half-year, net of tax		16,653	(1,486)
Total comprehensive loss for the half-year attributable to the owners of Kleos Space S.A.		(3,639,247)	(4,468,754)
		Cents	**Cents**
Basic earnings per CDI	8	(2.05)	(2.79)
Diluted earnings per CDI	8	(2.05)	(2.79)

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

Kleos Space S.A.
Interim consolidated statement of financial position
As at 30 June 2022

	Note	Consolidated 30 Jun 2022 €	Consolidated 31 Dec 2021 €
Assets			
Current assets			
Cash and cash equivalents	10	2,409,375	5,785,178
Trade receivables and other current assets	11	788,921	1,285,348
Total current assets		3,198,296	7,070,526
Non-current assets			
Property, plant and equipment	12	7,247,672	9,374,281
Right-of-use assets	13	214,512	139,471
Intangible assets	14	542,528	298,831
Total non-current assets		8,004,712	9,812,583
Total assets		11,203,008	16,883,109
Liabilities			
Current liabilities			
Trade and other payables	15	434,589	485,019
Accrued expenses	16	306,772	574,048
Contract liabilities	17	698,135	-
Borrowings	18	36,431	146,457
Lease liabilities		66,926	43,139
Derivative financial instruments	19	686,107	3,314,709
Income tax		2,246	-
Other current liabilities		17,528	6,963
Total current liabilities		2,248,734	4,570,335
Non-current liabilities			
Borrowings	18	91,879	-
Lease liabilities		162,737	109,499
Total non-current liabilities		254,616	109,499
Total liabilities		2,503,350	4,679,834
Net assets		8,699,658	12,203,275
Equity			
Contributed equity	20	28,486,307	28,456,260
Reserves	21	513,242	391,006
Accumulated losses		(20,299,891)	(16,643,991)
Total equity		8,699,658	12,203,275

The above interim consolidated statement of financial position should be read in conjunction with the accompanying notes

Consolidated	Contributed equity €	Reserves €	Accumulated losses €	Total equity €
Balance at 1 January 2021	21,867,982	265,402	(10,276,181)	11,857,203
Loss after income tax expense for the half-year	-	-	(4,467,268)	(4,467,268)
Other comprehensive loss for the half-year, net of tax	-	(1,486)	-	(1,486)
Total comprehensive loss for the half-year	-	(1,486)	(4,467,268)	(4,468,754)
Transactions with owners in their capacity as owners:				
Issue of CDIs - exercise of options (note 20)	216,328	-	-	216,328
Balance at 30 June 2021	22,084,310	263,916	(14,743,449)	7,604,777

Consolidated	Contributed equity €	Reserves €	Accumulated losses €	Total equity €
Balance at 1 January 2022	28,456,260	391,006	(16,643,991)	12,203,275
Loss after income tax expense for the half-year	-	-	(3,655,900)	(3,655,900)
Other comprehensive income for the half-year, net of tax	-	16,653	-	16,653
Total comprehensive income/(loss) for the half-year	-	16,653	(3,655,900)	(3,639,247)
Transactions with owners in their capacity as owners:				
Issue of CDIs (note 20)	789	-	-	789
Issue of CDIs - exercise of options (note 20)	29,258	-	-	29,258
Share-based payments (note 21)	-	105,583	-	105,583
Balance at 30 June 2022	28,486,307	513,242	(20,299,891)	8,699,658

The above interim consolidated statement of changes in equity should be read in conjunction with the accompanying notes

	Note	Consolidated 1 Jan 2022 to 30 Jun 2022 €	Consolidated 1 Jan 2021 to 30 Jun 2021 €
Cash flows from operating activities			
Receipts from customers		888,718	-
Receipts from government grants		58,740	14,935
Receipts from resale of launch services		-	151,022
Payments for launch services		-	(135,920)
Payments to suppliers		(1,262,824)	(1,407,475)
Payments to employees		(1,609,730)	(859,837)
Interest paid		(17,952)	(102,300)
Income taxes paid		(82,956)	(665)
Net cash used in operating activities		(2,026,004)	(2,340,240)
Cash flows from investing activities			
Payments for property, plant and equipment		(1,072,931)	(1,643,029)
Payments for intangible assets	14	(243,697)	-
Payments for deposits		(3,940)	-
Repayment to related parties		(301)	-
Net cash used in investing activities		(1,320,869)	(1,643,029)
Cash flows from financing activities			
Proceeds from issue of CDIs		25,913	216,328
Advance for CDIs	15	-	4,485
Net payments from borrowings - Winance		-	(3,319,643)
Repayment of borrowings - Luxembourg Ministry of the Economy		(18,147)	-
Repayment of lease liabilities		(25,811)	-
Net cash used in financing activities		(18,045)	(3,098,830)
Net decrease in cash and cash equivalents		(3,364,918)	(7,082,099)
Cash and cash equivalents at the beginning of the financial half-year		5,785,178	10,787,963
Effects of exchange rate changes on cash and cash equivalents		(10,885)	(3,334)
Cash and cash equivalents at the end of the financial half-year		2,409,375	3,702,530

The above interim consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The interim consolidated financial statements is for Kleos Space S.A. (referred to as the 'Company' or 'parent entity') and the entities it controlled (collectively the 'Group') at the end of, or during, the period. The interim consolidated financial statements are presented in Euro, which is Kleos Space S.A.'s functional and presentation currency.

The Company is a Société Anonyme - public limited liability company, incorporated and domiciled in Luxembourg. 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	Principal place of business
Boardroom Pty Ltd Level 12, 225 George Street Sydney, NSW 2000 Australia	Luxite Two 7, Rue de l'Innovation L-1896 Kockelscheuer Luxembourg

The principal activity of the Group during the financial half-year was to undertake the development of the Space enabled, RF Geospatial Intelligence, data products. The Group aims to guard borders, protect assets and save lives by delivering RF activity-based intelligence and geolocation service.

Kleos' low earth orbit satellite constellation collects data that enables the detection and geolocation of radio frequency transmissions to improve the Intelligence, Surveillance, and Reconnaissance ('ISR') capabilities of governments and commercial entities. Sold as-a-service to qualified customers, Kleos' precision geolocation data enhances the detection of illegal activity, including piracy, drug and people smuggling, border security challenges and illegal fishing. Kleos' data can be used to establish a baseline pattern of behaviour, send alerts, or tip and cue other commercial data sets to improve situational awareness. In H1 2022, Kleos continued converting its geographically diverse pipeline of government defence departments, national security entities, coast guards, and commercial entities to evaluation contracts and backlog.

Kleos is targeting a total constellation (the Guardian Constellation) of up to 20 clusters of four satellites for optimal coverage over key areas of interest. Each new cluster significantly increases Kleos' data collection capability and improves revisit rates over key areas of interest, providing customers with more accurate, and timely, intelligence. Increased data collection capacity increase revenue opportunities.

Satellite collections are downlinked to Earth and then processed using Kleos' proprietary algorithms to deliver frequency, time, latitude, longitude and Earth-Centered Earth Fixed ('ECEF') co-ordinates of radio frequency transmissions as the Kleos geospatial intelligent data product; Guardian LOCATE.

The current Guardian Constellation is formed of the following:

The Scouting Mission (KSM1)
Launched into a 37-degree orbit in November 2020, Kleos' Scouting Mission satellites is the world's first four satellite cluster flown in a formation that was intended to be the demonstrator for the constellation, used for testing and development of the Signal & Geospatial Intelligence intellectual property.

The Vigilance Mission (KSF1)
In June 2021, Kleos successfully launched its four Vigilance Mission (KSF1) satellites aboard the Spaceflight SXRS-5/SpaceX Transporter-2 Mission. Deployed into a 525km Sun Synchronous orbit from Cape Canaveral in Florida, Kleos' second satellite cluster broadens its global coverage range and data collection capability. This cluster is in commissioning.

The Patrol Mission (KSF2)
Kleos' Patrol Mission satellites were launched in April 2022 onboard the SpaceX Transporter-4 Mission, they have been deployed into orbit and are in commissioning.

The Observer Mission (KSF3)
Kleos Observer Mission satellites are manifested to launch on the Transporter-6 SpaceX mission H2 2022.

Note 1. General information (continued)

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

The interim consolidated financial statements were authorised for issue, in accordance with a resolution of directors, on 23 August 2022. In accordance with Luxembourg law, CDI holders have the power to amend and reissue the financial statements.

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 2022, the Group incurred a net loss of €3,655,900 (30 June 2021: €4,467,268). As at 30 June 2022, the Group had net current assets of €949,562 (31 December 2021: €2,500,191) and cash and cash equivalents of €2,409,375 (31 December 2021: €5,785,178).

The Company launched Cluster 2 (KSF1) on 30 June 2021 which are not yet operational due to an extended pre-operation commissioning phase. As such the timing and volume of revenues going forward involve known and unknown risks, uncertainties and other factors such as technical and launch delays, satellite health status, general economic conditions, increased costs, the risk and uncertainties associated with space technology, COVID-19 or other pandemic impacts. This situation puts constraints on the liquidity of the Group.

As at the date of the approval of these interim consolidated financial statements, the following activities have taken place:

- Cluster 1 was launched in November 2020 and has been operational since 1 July 2021, however due to technical issues with 2 of the satellites, the Cluster was fully impaired in June 2022. See note 12 of financial statements for further explanation;
- Cluster 2 was launched in June 2021 and is now being moved into formation following the completion of software updates (see note 12 of financial statements for further explanation) and is expected to become operational in Q-3-22;
- Cluster 3 was launched in April 2022; is under commissioning and is expected to be become operational by Q4-22; and
- Cluster 4 is under construction and is expected to be launched in Q4 2022.

Subsequent to the period end, the Company secured A$10 million of financing to meet the cashflow requirements of the Group and to manage its future cash outflows. The first tranche of A$6 million was funded on 15 August 2022. Access to the facility's remaining A$4 million is subject to the Company achieving a trailing three-month EBITDA of €250,000 per month. Furthermore, the Group and the Company have plans to take the following initiatives:

- Continue to monitor the commissioning of KSF1 and KSF2;
- The Company is engaging with its pipeline of potential customers to negotiate and sign contracts in anticipation of the satellites completing commissioning and in-orbit testing; and
- If necessary, the Company will seek to raise additional equity or debt to finance funding requirements.

Having considered all of the above factors, the directors are confident the Group will be able to continue as a going concern for at least 12 months from approval of these interim consolidated financial statements. Despite the good progress made in 2022, until the satellites are fully operational, delivering commercial services having completed commissioning and in-orbit testing, the uncertainty about the ability of the Company to generate revenue from customers indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

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 Group be unable to continue as a going concern.

Note 2. Significant accounting policies

These general purpose interim consolidated financial statements for the interim half-year reporting period ended 30 June 2022 have been prepared in accordance with IAS 34 'Interim Financial Reporting' of International Financial Reporting Standards as adopted by the European Union (IFRS) and in effect as at 30 June 2022.

Note 2. Significant accounting policies (continued)

These interim consolidated financial statements do not include all information and disclosures required in the annual consolidated financial statements. Accordingly, these interim consolidated financial statements are to be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2021.

New accounting standards, interpretations and amendments adopted by the Group

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

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2021 and the adoption of new standards effective as of 1 January 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not effective.

The following Accounting Standards and Interpretations are most relevant to the Group:

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the interim consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

Several other amendments apply for the first time in 2022, but do not have an impact on the interim consolidated financial statements of the Group.

Revenue recognition

Provision of data
Licence fees for the access to data are recognised over time, being on a straight-line basis over the licence period, when the right to access is satisfied in accordance with the terms of the contract.

Contract liabilities

Contract liabilities represents revenue which has been billed to customers for which the services are yet to be performed.

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Note 2. Significant accounting policies (continued)

The Group bases its impairment calculation on the most recent budgets and forecast calculations, which are prepared separately for each of the Group's Cash Generating Units (CGU)s to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years or a shorter period if the useful life of the CGU is less than five years. A long-term growth rate is calculated and applied to project future cash flows after the end of the period if appropriate. Currently, the Company defines a CGU as a cluster of three or more operational satellites, simultaneously providing data over an area of interest.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

All other accounting policies are as presented in the 31 December 2021 annual accounts.

Note 3. Operating segments

Identification of reportable operating segments
The Group operates in one segment, 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.

As a result, the operating segment information is as disclosed in these interim consolidated financial statements and notes to the financial statements throughout the report.

Note 4. Revenue

	Consolidated	
	1 Jan 2022 to 30 Jun 2022 €	1 Jan 2021 to 30 Jun 2021 €
Revenue from contracts with customers - provision of data	106,848	-
Government grants	-	54,095
Other revenue	-	15,102
Revenue	106,848	69,197

Government grants
Grants revenue represents funding received as part of a grant made by the European Space Agency acting on behalf of the Government of Luxembourg and as a subcontractor to the program of another government. To the extent that all payments are made by the Agency against relevant milestone delivery, the Group recognises revenue in profit or loss in line with expenditure and recognises the balance as a liability in the statement of financial position. Accrued income is recognised as an asset for amount receivable against revenue recognised on milestone delivery. Accordingly, the Group recognised €nil (30 June 2021: €54,095) of income from government grants in line with expenditure incurred during the half-year ended 30 June 2022 and accrued income of €nil at 30 June 2022 (31 December 2021: €93,005 (refer to note 11)).

Other revenue
The Group recognised other revenue of €nil (30 June 2021: €15,102) which includes proceeds of €nil (30 June 2021: €151,022) from the resale of a portion of the launch services it contracted for the launch of the second cluster of satellites, less associated costs of €nil (30 June 2021: €135,920).

Note 4. Revenue (continued)

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

	Consolidated 1 Jan 2022 to 30 Jun 2022 €	Consolidated 1 Jan 2021 to 30 Jun 2021 €
Geographical regions		
UK	106,484	-
Timing of revenue recognition		
Services transferred over time	106,484	-

Note 5. Employee benefit expenses

	Consolidated 1 Jan 2022 to 30 Jun 2022 €	Consolidated 1 Jan 2021 to 30 Jun 2021 €
Salaries and benefits*	1,644,110	1,290,114
Share-based compensation	105,583	-
	1,749,693	1,290,114

* €243,697 employee costs were capitalised during the half-year ended 30 June 2022 (refer note 12) (30 June 2021: €nil).

Note 6. Other operating expenses

	Consolidated 1 Jan 2022 to 30 Jun 2022 €	Consolidated 1 Jan 2021 to 30 Jun 2021 €
Administration expenses	102,559	171,379
Consulting and professional fees	340,279	488,555
Payroll tax expense	50,287	33,565
Rent expenses	18,746	38,666
Travel expenses	94,940	24,882
	606,811	757,047

Consulting and professional fees
The consulting and professional fees for the half-year ended 30 June 2022 and 30 June 2021 includes, amongst others, auditor's remuneration.

Note 7. Expenses

	Consolidated 1 Jan 2022 to 30 Jun 2022 €	Consolidated 1 Jan 2021 to 30 Jun 2021 €
Loss before income tax includes the following specific expenses:		
Net foreign exchange (gain)/loss (included in other expenses)		
Net foreign exchange (gain)/loss	(184,700)	7,528
Leases		
Short-term lease payments	17,731	-

Note 8. Earnings per CDI

	Consolidated 1 Jan 2022 to 30 Jun 2022 €	Consolidated 1 Jan 2021 to 30 Jun 2021 €
Loss after income tax attributable to the owners of Kleos Space S.A.	(3,655,900)	(4,467,268)
	Number	**Number**
Weighted average number of ordinary CDIs used in calculating basic earnings per CDI	178,174,211	160,045,922
Weighted average number of ordinary CDIs used in calculating diluted earnings per CDI	178,174,211	160,045,922
	Cents	**Cents**
Basic earnings per CDI	(2.05)	(2.79)
Diluted earnings per CDI	(2.05)	(2.79)

At 30 June 2022 and 30 June 2021, performance rights, options issued with or without services conditions and warrants over CDIs have been excluded from the calculation of the weighted average number of CDIs used in calculating diluted earnings per CDI as they are anti-dilutive.

Note 9. Finance costs

	Consolidated 1 Jan 2022 to 30 Jun 2022 €	Consolidated 1 Jan 2021 to 30 Jun 2021 €
Interest and finance charges	2,385	33,344
Interest and finance charges paid/payable on lease liabilities	15,220	-
Interest on amount payable to the Luxembourg Ministry of the Economy	347	366
Interest on Winance loan (fully repaid in February 2021)	-	196,023
	17,952	229,733

Note 10. Cash and cash equivalents

	Consolidated	
	30 Jun 2022	31 Dec 2021
	€	€
Current assets		
Cash on hand	47	47
Cash at bank	2,409,328	5,785,131
	2,409,375	5,785,178

Note 11. Trade receivables and other current assets

	Consolidated	
	30 Jun 2022	31 Dec 2021
	€	€
Current assets		
Government grant (note 4)	93,005	93,005
Other receivables	105,897	111,714
Deposits	3,940	-
Prepayments	586,079	909,690
Net VAT refundable	-	170,939
	788,921	1,285,348

Prepayments represent payments to Spaceflight in relation to the launch of the four Satellites and also includes other prepayments for insurance, memberships and marketing services.

Note 12. Property, plant and equipment

	Consolidated	
	30 Jun 2022	31 Dec 2021
	€	€
Non-current assets		
Computer equipment - at cost	39,746	34,202
Less: Accumulated depreciation	(12,675)	(8,780)
	27,071	25,422
Tools and equipment - at cost	67,245	67,245
Less: Accumulated depreciation	(26,898)	(24,296)
	40,347	42,949
Furniture - at cost	20,428	19,508
Less: Accumulated depreciation	(2,911)	(898)
	17,517	18,610
Satellite equipment - at cost	4,492,379	4,492,379
Less: Accumulated depreciation	(1,497,460)	(748,730)
Less: Impairment	(2,994,919)	-
	-	3,743,649
Satellite equipment (construction-in-progress)	7,162,737	5,543,651
	7,247,672	9,374,281

Note 12. Property, plant and equipment (continued)

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

Consolidated	Computer equipment €	Tools and equipment €	Furniture €	Satellite equipment €	Satellite equipment (construct-ion-in-progress) €	Total €
Balance at 1 January 2022	25,422	42,949	18,610	3,743,649	5,543,651	9,374,281
Additions	5,542	-	920	-	1,619,086	1,625,548
Exchange differences	(5)	-	-	-	-	(5)
Impairment of assets	-	-	-	(2,994,919)	-	(2,994,919)
Depreciation expense	(3,888)	(2,602)	(2,013)	(748,730)	-	(757,233)
Balance at 30 June 2022	27,071	40,347	17,517	-	7,162,737	7,247,672

The Company began providing data from the first cluster (KSM1) of four satellites to customers for testing purposes in July 2021. The first cluster of satellites is therefore depreciated from July 2021, over a period of three years.

During the first quarter of 2022, a suspected mechanical failure was detected in one of the KSM1 Cluster satellites (KSM1-b) which was under supplier review and did not impact the revenue generating ability of the cluster. During the second quarter of 2022 a suspected technical failure was identified on a second KSM1 Cluster satellite (KSM1-a). Subsequent to an extensive technical review including consultation with the supplier and review of possible performance mitigations, in August 2022 it was concluded that these two satellites could no longer perform their mission. An impairment review was performed resulting in a zero recoverable amount. Because these satellite failures reduced the cluster's/CGU's capabilities below the minimum number of satellites required to satisfy the CGU's operational requirements, all four satellites (representing the entirety of KSM1 cluster) have been impaired. The Company has therefore accounted for an impairment of €2,994,919 in the first six months of 2022 as the initial technical issues (subsequently confirmed) giving rise to the impairment arose prior to 30 June 2022. The Company does not purchase in-orbit insurance for its satellite assets.

Management also performed a value-in-use calculation for the total property plant and equipment including satellite equipment construction in progress whereby the cash generating unit was assumed as the adjusted targeted fleet configuration (excluding KSM1) as per the Group's business plan over the assumed business plan period. Management concluded that there was no additional impairment required other than the €2,994,919 for KSM1 cluster as outlined above.

Although the KSF1 cluster was launched in June 2021, it has not yet come into use as management decided to shorten the pre-launch development schedule with the understanding that the in-orbit commissioning process would be extended. Despite software development issues causing the commissioning process to take longer than planned, management is confident that the commissioning process will be successful and thus, it was concluded that no impairment is deemed necessary for KSF1.

Note 13. Right-of-use assets

	Consolidated 30 Jun 2022 €	Consolidated 31 Dec 2021 €
Non-current assets		
Buildings - right-of-use	221,877	147,675
Less: Accumulated depreciation	(32,817)	(8,204)
	189,060	139,471
Motor vehicles - right-of-use	28,634	-
Less: Accumulated depreciation	(3,182)	-
	25,452	-
	214,512	139,471

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

Consolidated	Buildings €	Motor vehicles €	Total €
Balance at 1 January 2022	139,471	-	139,471
Additions	74,202	28,634	102,836
Exchange differences	-	60	60
Depreciation expense	(24,613)	(3,242)	(27,855)
Balance at 30 June 2022	189,060	25,452	214,512

The Group leases buildings for its offices under agreements of between three to five years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The Group also leases motor vehicles under agreements of three years.

Note 14. Intangible assets

	Consolidated 30 Jun 2022 €	Consolidated 31 Dec 2021 €
Non-current assets		
Development - at cost	542,528	298,831

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

Consolidated	Development costs €
Balance at 1 January 2022	298,831
Additions (capitalised employee costs)	243,697
Balance at 30 June 2022	542,528

The Group capitalises development costs as an intangible asset once the intangible asset has met the criteria defined in the Group's accounting policy stated in the 31 December 2021 annual report.

Note 14. Intangible assets (continued)

Research and development costs that do not meet such criteria are recognised as an expense as incurred.

Impairment reviews are conducted annually by management.

Note 15. Trade and other payables

	Consolidated	
	30 Jun 2022 €	31 Dec 2021 €
Current liabilities		
Trade payables*	364,701	484,718
Payable to related party	-	301
Net VAT payable	69,888	-
	434,589	485,019

* Trade payables represents amounts due for operating expenses.

Note 16. Accrued expenses

	Consolidated	
	30 Jun 2022 €	31 Dec 2021 €
Current liabilities		
Social security payable	39,868	32,353
Withholding tax payable	29,629	18,029
Net wealth tax accrual	-	71,405
Other accruals*	237,275	452,261
	306,772	574,048

* Other accruals as at 30 June 2022 include accruals for satellite milestones of €53,450 (31 December 2021: €243,640) and government grant subcontractors of €109,032 (31 December 2021: € 109,032).

Note 17. Contract liabilities

	Consolidated	
	30 Jun 2022 €	31 Dec 2021 €
Current liabilities		
Contract liabilities	698,135	-

Contract liabilities represents amount received in advance from contracts with customers for the provision of data.

Note 18. Borrowings

	Consolidated 30 Jun 2022 €	Consolidated 31 Dec 2021 €
Current liabilities		
Payable to the Luxembourg Ministry of the Economy	36,431	146,457
Non-current liabilities		
Payable to the Luxembourg Ministry of the Economy	91,879	-
	128,310	146,457

Payable to the Luxembourg Ministry of the Economy
This payable represents a funding facility given by the Luxembourg Ministry of the Economy, under a Coronavirus support scheme. Interest is payable at 0.5% interest per annum. The facility is repayable in monthly instalments from January 2022 to December 2025 in accordance with a repayment plan agreed in August 2021.

Note 19. Derivative financial instruments

	Consolidated 30 Jun 2022 €	Consolidated 31 Dec 2021 €
Current liabilities		
Derivative financial instruments - warrants	315,666	1,415,548
Derivative financial instruments - options	370,441	1,899,161
	686,107	3,314,709

Refer to note 24 for further information on fair value measurement.

Warrants
On 20 February 2020, the Company issued 6,319,125 warrants to Winance with an exercise price of A$0.38, which can be exercised anytime over a three-year term. The warrants have been issued as part of the consideration for the financial accommodation received under the Winance loan which was repaid on 18 February 2021 upon the expiry of its term.

On 6 July 2020, the Company issued a further 2,285,381 warrants to Winance with an exercise price of A$0.38 which can be exercised anytime over a three year term.

The warrants have been accounted for as derivative liabilities. The fair value of the 8,604,506 warrants issued at grant date was €136,325. This value was accounted for as a cost of obtaining the Winance loan and deducted from that loans' carrying value. The cost of the warrants was therefore amortised as a finance cost over the loan period using the effective interest rate method.

On 30 October 2020, 3,000,000 warrants to Winance were exercised at A$0.38 for a total of A$1,140,000 (€694,527).

At reporting date, the fair value of the remaining 5,604,506 warrants was €315,666 (31 December 2021: €1,415,548).

Options
On 17 July 2020, the Company issued 2,000,000 options with an exercise price of A$0.50, which can be exercised at any time over a three year term. The options have been issued as part of the consideration for a subscription for 10,000,001 CDIs.

On 15 September 2021, the Company issued 8,901,175 options with an exercise price of A$1.20, which can be exercised at any time over a three-year term. The options have been issued as part of the consideration for a subscription for 14,835,292 CDIs.

Note 19. Derivative financial instruments (continued)

The options have been accounted for as derivative liabilities. The fair value at grant date of the 2,000,000 and 8,901,175 options issued was €146,950 and €1,759,200 respectively. This value was accounted for as a cost of obtaining the equity investment and deducted from share capital.

At reporting date, the fair value of the outstanding 10,901,175 options was €370,441 (31 December 2021: 10,901,175 options at €1,899,161).

In 2022 the fair value of the warrants decreased by €1,099,882, and the fair value of the options decreased by €1,528,720. This change in fair value of €2,628,602 has been recorded in finance income/(expense) in the profit or loss.

Note 20. Contributed equity

	Consolidated			
	30 Jun 2022 CDIs	31 Dec 2021 CDIs	30 Jun 2022 €	31 Dec 2021 €
CHESS Depository Interests - fully paid	178,525,876	177,603,393	28,486,307	28,456,260

Movements in CDI

Details	Date	CDIs	Issue price	€
Balance	1 January 2022	177,603,393		28,456,260
Issue of CDIs	11 March 2022	789,983	€0.001	789
Issue of CDIs - exercise of options at A$0.40	11 March 2022	100,000	€0.251	25,125
Issue of CDIs - exercise of options at A$0.20	11 March 2022	32,500	€0.127	4,133
Balance	30 June 2022	178,525,876		28,486,307

CHESS Depository Interests ('CDI') entitles the holder to participate in dividends and any proceeds on a winding up of the Company in proportions that consider both the number of CDIs held and the extent to which those CDIs are paid up.

All CDIs carry one vote per CDI.

The Company does not have a limit on the amount of authorised capital.

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

Capital risk management
The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new CDIs or sell assets to reduce debt.

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

The capital risk management policy remains unchanged from the 2021 Annual Report.

Note 21. Reserves

	Consolidated 30 Jun 2022 €	Consolidated 31 Dec 2021 €
Foreign currency reserve	10,057	(6,596)
Share-based payments reserve	503,185	397,602
	513,242	391,006

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 (including share raising activities).

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 2022	(6,596)	397,602	391,006
Foreign currency translation	16,653	-	16,653
Share-based payments	-	105,583	105,583
Balance at 30 June 2022	10,057	503,185	513,242

Note 22. Dividends

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

Note 23. Financial risk management objectives

Financial risk management objectives
The Group's activities expose it to minimal financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the Board of Directors ('the Board'). The Board uses different methods to measure different types of risks to which the Group is exposed. These methods include ageing analysis for credit risk and sensitivity analysis in the case of interest rate risk.

Market risk

Foreign currency risk
The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Price risk
The Group is not exposed to any significant price risk.

Interest rate risk
At the reporting date, the Group had no variable rate borrowings.

Note 24. Fair value measurement

Fair value hierarchy
The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 30 Jun 2022	Level 1 €	Level 2 €	Level 3 €	Total €
Liabilities				
Derivative financial instruments - warrants	-	-	315,666	315,666
Derivative financial instruments - options	-	-	370,441	370,441
Total liabilities	-	-	686,107	686,107

Consolidated - 31 Dec 2021	Level 1 €	Level 2 €	Level 3 €	Total €
Liabilities				
Derivative financial instruments - warrants	-	-	1,415,548	1,415,548
Derivative financial instruments - options	-	-	1,899,161	1,899,161
Total liabilities	-	-	3,314,709	3,314,709

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There were no transfers between Level 1 and Level 2 fair value measurements during the half-year, and no transfers into or out of Level 3 fair value measurements during the half-year ended 30 June 2022.

The movement in the fair value, which is primarily due to increased share price and volatility, is recognised in consolidated profit or loss for the period ended 30 June 2022.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value due to the short-term nature of financial assets and financial liabilities.

Valuation techniques for fair value measurements categorised within level 2 and level 3
Derivative financial instruments in the form of warrants and options have been valued using Black-Scholes pricing model.

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

Note 24. Fair value measurement (continued)

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

Description	Unobservable inputs	Range (weighted average)	Sensitivity
Warrants and options	Volatility	45% - 75%	An increase of 10% would result in the liability increasing to €122,325 and a decrease of 10% would result in the liability decreasing to €115,821, assuming all other factors remain constant.
	Risk free rate	2.28% - 4.28%	A 1% change in the risk free rate would result in an increase in the liability by €16,447 and a decrease of 1% would result in a decrease in the liability by €16,194, assuming all other factors remain constant.
	Underlying price	€0.38 - €0.42	5% increase in the recent transaction price would result in an increase in the liability by €99,773 and 5% decrease in the recent transaction price would result in a decrease in liability by €93,676.

Note 25. Contingent liabilities

The Group had no contingent liabilities as at 30 June 2022 and 31 December 2021.

Note 26. Commitments

	Consolidated	
	30 Jun 2022 €	31 Dec 2021 €
*Capital commitments**		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment (satellite and launch)	2,140,149	3,257,007
Contracts for operating satellites equipment	470,741	523,261

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

Note 27. Related party transactions

Related party
At 30 June 2022, Magna Parva Limited is a company incorporated in the United Kingdom which owns 14% of the CDIs of the Company (31 December 2021: 14.07%).

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

Note 27. Related party transactions (continued)

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	30 Jun 2022	31 Dec 2021
	€	€
Current payables:		
Payable to related party	-	301

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Note 28. Share-based payments

During the 6 months ended 30 June 2022, 732,500 options over CDIs were granted to employees under the Long Term Incentive Plan ('LTIP') at an exercise price of A$0.20.

During the 6 months ended 30 June 2022, 132,500 options were exercised (refer to note 20).

Note 29. Events after the reporting period

On 10 August 2022, the Company closed a 4-year secured A$10 million debt facility at an initial annual interest rate of 12% that can reduce to 8.5% based on meeting certain monthly revenue milestones. The first tranche of A$6 million was funded on 15 August 2022. Access to the facility's remaining A$4 million is subject to the Company achieving a trailing three-month EBITDA of €250,000 per month. The facility also provides a number of warrants (based on the 20-day volume weighted average price of the Company's stock as at 1 July 2022 for the first tranche of debt and at the time of issuance for the second tranche of the debt) where the number of warrants issued for the first tranche of debt will be 11,792,115.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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Report on the review of the interim consolidated financial statements

To the Shareholders of
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Introduction

We have reviewed the accompanying interim consolidated financial statements of Kleos Space S.A. (the "Group") as of 30 June 2022, which comprise the interim consolidated statement of financial position as at 30 June 2022, the interim consolidated statement of profit or loss and comprehensive income, the interim consolidated statement of changes in equity, the interim consolidated cash flow statement for the six-month period then ended and explanatory notes. Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting as adopted by the European Union ("IAS 34"). Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union.

Material uncertainty related to going concern

We draw your attention to Notes 1 and 12 of the interim consolidated financial statements with regards to the consequences for the Group of the impairment of all satellites in Cluster 1 (KSM1) as well as the delay in completion of the commissioning of Cluster 2 (KSF1) satellites. These technical issues have delayed the generation of revenues which indicates, amongst other matters disclosed in Notes 1 and 12, that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Olivier Lemaire

Luxembourg, 23 August 2022