Ovzon

Annual Report

2019

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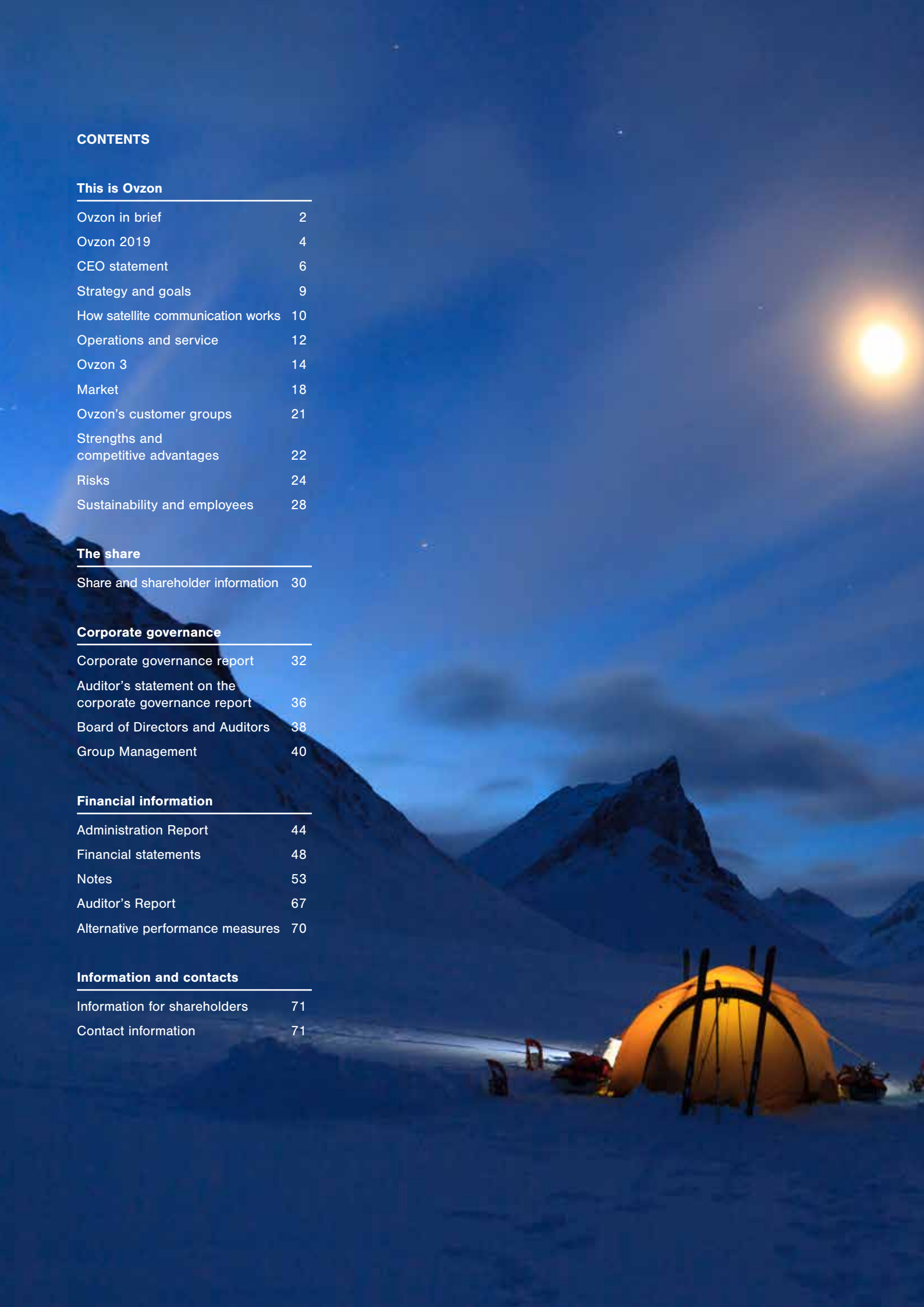

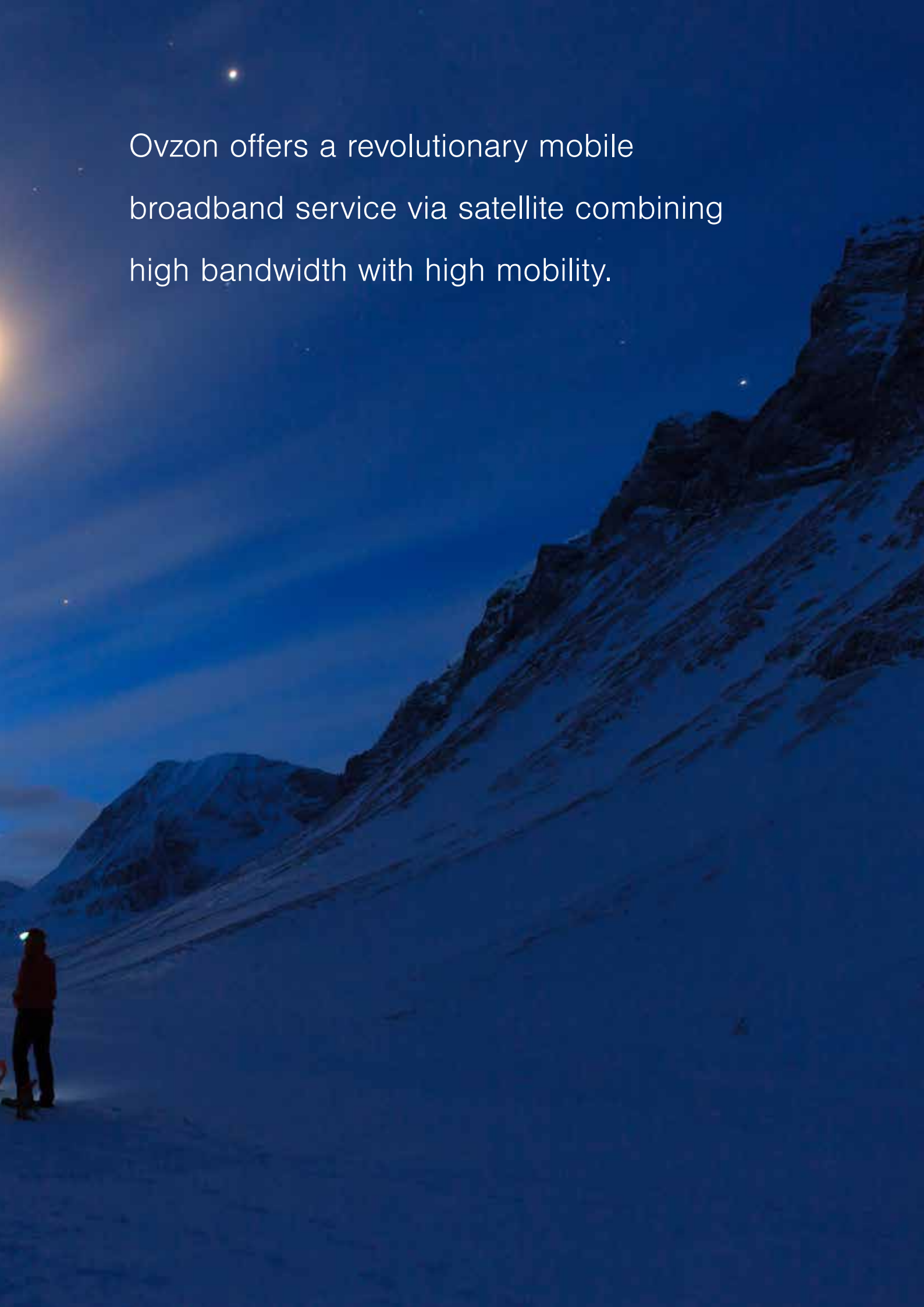

Ovzon offers a revolutionary mobile broadband service via satellite combining high bandwidth with high mobility.

Ovzon in brief

Ovzon offers a revolutionary mobile broadband service via satellite combining high bandwidth with high mobility – with transfer speeds that are significantly higher than competing services. Applications include real-time sensor and video upload, either from mobile platforms or from on-site staff holding the terminals. Ovzon has its head office in Solna, Sweden, with offices in Tampa, Florida and Bethesda, Maryland, both in the US.

Vision
To revolutionize mobile broadband via satellite by offering global coverage of the highest bandwidth through the smallest terminals

Business idea
The Group provides mobile satellite broadband services in areas without functioning infrastructure.

Financial targets
The company's financial targets are to continue growing and expanding its current service offering while preparing for the launch of its first satellite, developed to Ovzon's specification.

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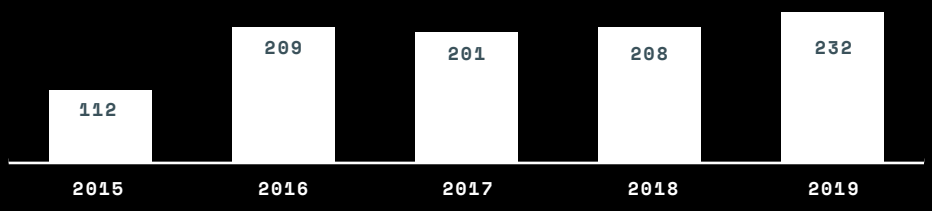
Mobility requirements

12
years of business
Founded 2006
Developed –2014
Launched 2014–

Sales, SEK M



Ovzon's T5 terminal

2019

New share issue generates approximately SEK 750 million for Ovzon before issue costs.

Signed agreement with Arianespace regarding launch of proprietary satellite.

Order from Intelsat of approximately SEK 520 million.

Strategic agreement with Hispasat.

Financing secured for Ovzon 3.

Appointed Gomedia as distributor in Italy.

2018

Version 3 (current) of satellite design produced.

Ovzon listed on Nasdaq First North Growth Market.

Agreement signed with Maxar for production of proprietary satellite.

2017

Development of On-Board Processor (OBP) commenced.

2015

Second phase of the service offering commenced.

2014

First phase of Ovzon's mobile service offering launched.

2013

T5 terminal developed.

2010

Application for the first patents submitted.

2009

First frequency license, 59.7° E on Cyprus, received.

First satellite design produced.

2006

What would become Ovzon was founded as OverHorizon Plc. in Nicosia, Cyprus.

Ovzon 2019

In 2019, Ovzon strengthened its position and took several significant steps towards its long-term goal of offering satellite-based broadband services with proprietary satellites. Funding of its first proprietary satellite was concluded, manufacture of the satellite began and new customer and partnership agreements were signed.

In January, Ovzon conducted a rights issue that generated approximately SEK 750 million for the company before issue costs. The proceeds will be used to finance the company's proprietary satellite, Ovzon 3.

In April, two important agreements were signed with Intelsat: one in which Intelsat purchased services from Ovzon for SEK 520 million on Ovzon 3, the future satellite; and one that provides capacity for Ovzon on IS 39, a new Intelsat satellite that was launched into orbit August 2019. In May, an agreement was signed with the Hispasat satellite company under which the parties will jointly offer a powerful mobile broadband solution in Europe and Latin America. In May, Magnus René took office as the new CEO and in July, the funding of Ovzon 3 was finalized through a borrowing arrangement led by Proventus Capital Partners. Renewed contracts with Intelsat were secured during the autumn and in November, Gomedia Satcom was appointed distributor of Ovzon's services in Italy.

TSEK	2019	2018
Revenue	231,642	207,883
Operating profit/loss	11,419	-17,536
Adjusted operating profit/loss*	23,716	8,524
Operating margin, %	5	neg
Adjusted operating margin, %*	10	4
Profit/loss after tax	29,230	-25,640
Earnings per share	0.93	-3.63

* Excluding items affecting comparability

Important events in 2019

Q1

- January – Ovzon conducted a rights issue of approximately SEK 750 million.

Q2

- April – Ovzon and Intelsat signed agreements regarding delivery of capacity on the future Ovzon 3 satellite and the purchase of capacity on Intelsat's new IS 39 satellite.
- May – Magnus René appointed CEO of Ovzon. Former CEO Per Wahlberg appointed Deputy CEO with responsibility for development and innovation.
- May – Ovzon signed a strategic agreement with Hispasat on joint marketing of capacity in Spain and Latin America.

Q3

- July – Ovzon secured financing for Ovzon 3 through a credit facility led by Proventus Capital Partners, and production of the satellite at Maxar commenced.
- September – Ovzon secured a renewed contract from IGC.

Q4

- November – Ovzon appointed Gomedia Satcom as distributor in Italy and received its first order from Italy.

Foundation laid for strong future growth

In 2019, we made significant progress that laid the foundation for the company's further growth. We secured funding totalling SEK 1.5 billion for Ovzon 3, our first proprietary satellite. The satellite, which is now in production at our partner, Maxar, is planned for launch in the second half of 2021. Ovzon 3 will multiply our capacity and provide us with the opportunity to offer new services and functions, which will further improve our unique mobile broadband service. In addition, we signed our first major customer agreement with Intelsat regarding capacity on Ovzon 3.

New and renewed agreements

During the year, we renewed existing contracts with the US Department of Defense via the US service supplier Intelsat General Corporation (IGC). This contract means we are now in our seventh year of service deliveries to US defense forces – proof that our users are extremely satisfied with our high-performance service.

Increased leased capacity

During the year, we continued expanding our delivery and revenue opportunities by securing leased satellite capacity. In the second quarter of 2019, we signed an agreement with Intelsat regarding capacity on its new Intelsat 39 (IS 39) satellite. The launch of IS 39 in August was successful, and received a great deal of attention in our industry. The technical tests in the autumn of 2019 yielded very strong results, but owing to regulatory circumstances Intelsat was unable to set a date for the start of service delivery in the geographical area agreed on. We also signed agreements with Hispasat that provides us with access to satellite capacity for our service in Europe and Latin America.

Distributors and customer channels

At the end of 2019, we received a small order in conjunction with signing a distribution agreement with Gomedia, one of the leading suppliers of satellite communication to government agencies and organizations in Italy. In early 2020, we also engaged Network Innovations as distributor in the Benelux countries, Bansat as distributor in Colombia, and Orbita as distributor in Peru. With Ovzon's services, distributors can not only expand their offering to existing customers but also target entirely new market segments. With these new distributor agreements, we are rapidly expanding our presence in new markets and reaching out to more customers and customer groups. One important task in 2020 will be continuing to strengthen our own sales organization and engaging distributors in new markets.

A changing company

Ovzon 3 is a central project and will be our primary focus over the next few years, especially in 2020. This is the first of a number of planned satellites that will help us achieve global

On the agenda for 2020:

1. Focus on Ovzon 3 manufacturing and schedule.
2. Renew contracts and maintain close dialogue with existing customers.
3. Strengthen and expand the in-house sales organization.
4. Expand distributor and partner networks to reach new customers and customer groups.
5. Continue business development in conjunction with our journey of change, to also become an operator.

reach for our proprietary satellite-based service. Ovzon 3 and additional proprietary satellites signifies fundamental changes in Ovzon's way to operate. We are moving from being a service provider dependent on leased capacity and technology toward becoming a player with unique satellite know-how and capacity. With Ovzon 3 and additional proprietary satellites, we can hone our customer offering by combining completely unique services via our proprietary satellites with the advanced services we already offer on capacity that we lease. This means that we will not only develop new services, but will also need to develop new business models.

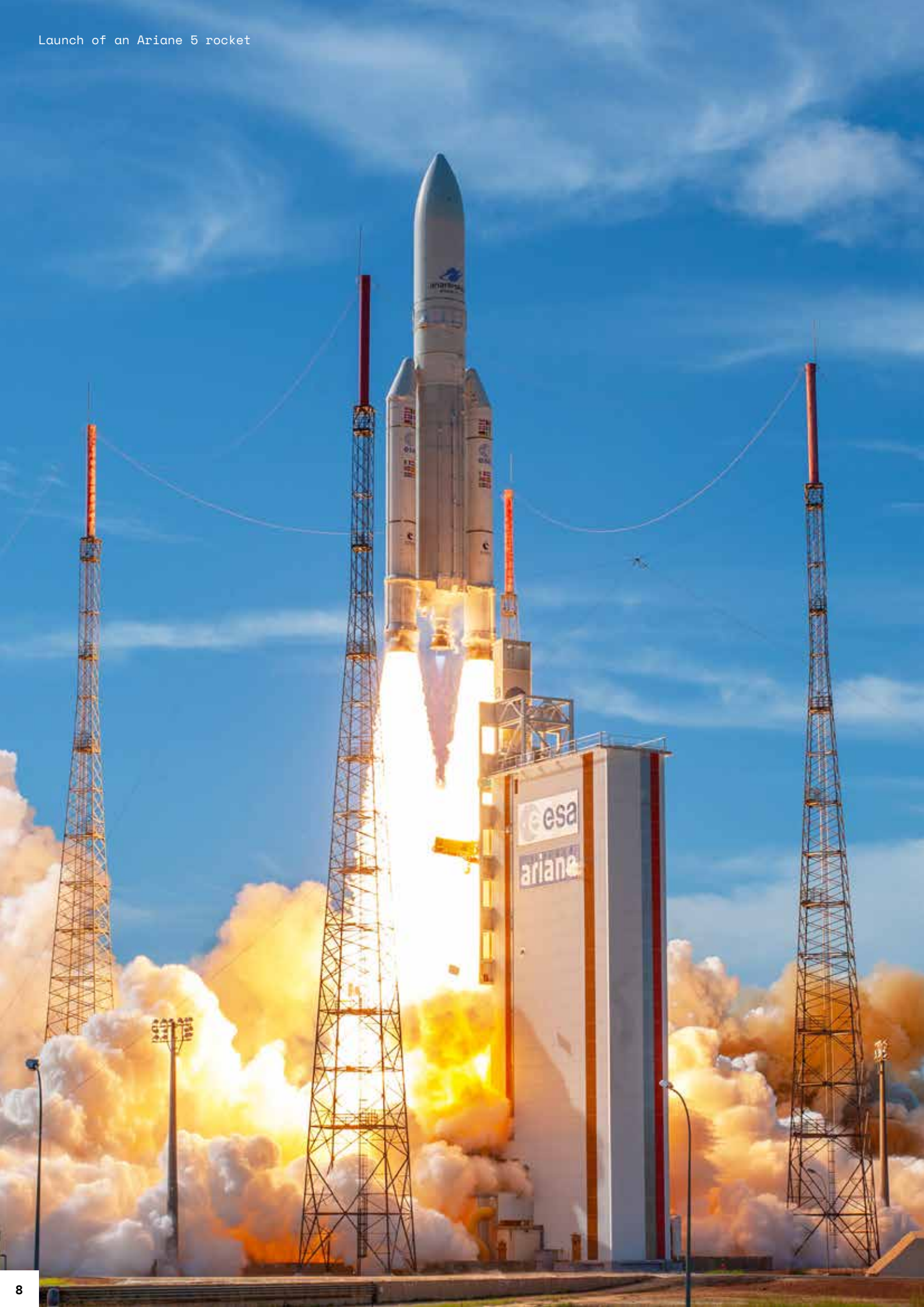
In addition to developments on the satellite side with Ovzon 3, we are developing new user terminals in parallel in order to utilize the opportunities Ovzon 3 offers. We are launching a completely new terminal in the spring of 2020 that will supplement the Ovzon T5, today's industry standard. The new terminal is built on the company's unique antenna know-how and is significantly smaller and lighter – and more userfriendly – than the Ovzon T5.

I would like to take this opportunity to thank the Board of Directors and all our employees for their sterling efforts during an intensive year. Our ambitious plan for growth and our expansion into new markets will involve intensive work in 2020 as well, and will also require a strengthening of the organization.

With our combination of unique terminals, services and leased capacity – and our future proprietary satellites – we are well positioned on the future satellite market.

Magnus René
CEO, Ovzon

Launch of an Ariane 5 rocket



Strategy and goals

Ovzon's vision is to offer mobile broadband via satellite with the highest bandwidth through the smallest terminals.

Today

Service based on leased satellite capacity

Ovzon's existing service was launched in 2014 and is based on leased capacity from a number of external satellites in combination with Ovzon's proprietary terminal technology and service offering. In 2019, the service offering generated sales of SEK 232 million.

During the year, the company renewed significant customer contracts. Ovzon will lease further satellite capacity as needed to increase service coverage and total available bandwidth.

0–2 years

Service based on launch of proprietary satellite

Ovzon's strategic goal is to offer satellite-based broadband through proprietary satellite technology, terminal technology and service offering with considerably higher performance than is available today.

The company's first proprietary satellite, Ovzon 3, will increase service performance considerably and make even smaller terminals, expanded coverage areas and increases in available broadband possible. The total investment in Ovzon 3 is approximately SEK 1.5 billion, and funding was secured in 2019. Manufacture of the satellite has commenced and launch is expected in 2021.

With optimized capacity, the company expects that in a few years, Ovzon 3 will generate annual revenue of up to SEK 1 billion, with better margins than the current service offering. A multi-year agreement with Intelsat was signed in 2019 concerning services on its proprietary satellite, Ovzon 3, at a total value of SEK 520 million.

Within 10 years

A fleet of proprietary satellites

Ovzon's long-term vision is to have several proprietary satellites that facilitate global coverage with proprietary satellite technology that makes Ovzon a leading supplier of satellite communication.

Ovzon's plan is a gradual expansion, and the company already has orbital positions that ensure future global coverage. At present, the company has six orbital positions registered with the International Telecommunication Union (ITU).

With its technology, Ovzon has the smallest terminals for satellite communication – a position the company intends to preserve and strengthen. The fleet of proprietary satellites equipped with the company's technology increases the basis for this.

How satellite communication works

A satellite orbits the Earth in a circular or elliptical path – typically at a height of between 160 and 35,800 kilometers. Satellite communication requires a free line of sight between a satellite and a station or terminal on Earth. The satellite's view of Earth and, accordingly, the area that can be served by it, varies according to the altitude of the satellite's orbit. There are three primary altitudes where communication satellites are placed; see the image on the right.

Communication is conducted via radio frequencies
Satellites transmit information to receivers on Earth by way of radio waves, which means that high-quality communication can be made available to remote areas in the world without requiring large investments in ground-based equipment. The frequency of the radio waves is significant for a number of properties that are important in satellite communication:

- Frequency bands with a higher frequency typically have greater available bandwidth, which in theory entails higher data rates and higher total capacity.
- Higher frequencies are affected and dampened more by atmospheric effects and weather conditions.

The most common frequency bands used by GEO communication satellites are:

1. Ku- and Ka-bands (10 – 31 GHz): The bands are typically used for TV broadcasting, VSAT networks, and maritime and aeronautical services. The Ku-band is the band used for Ovzon's services.

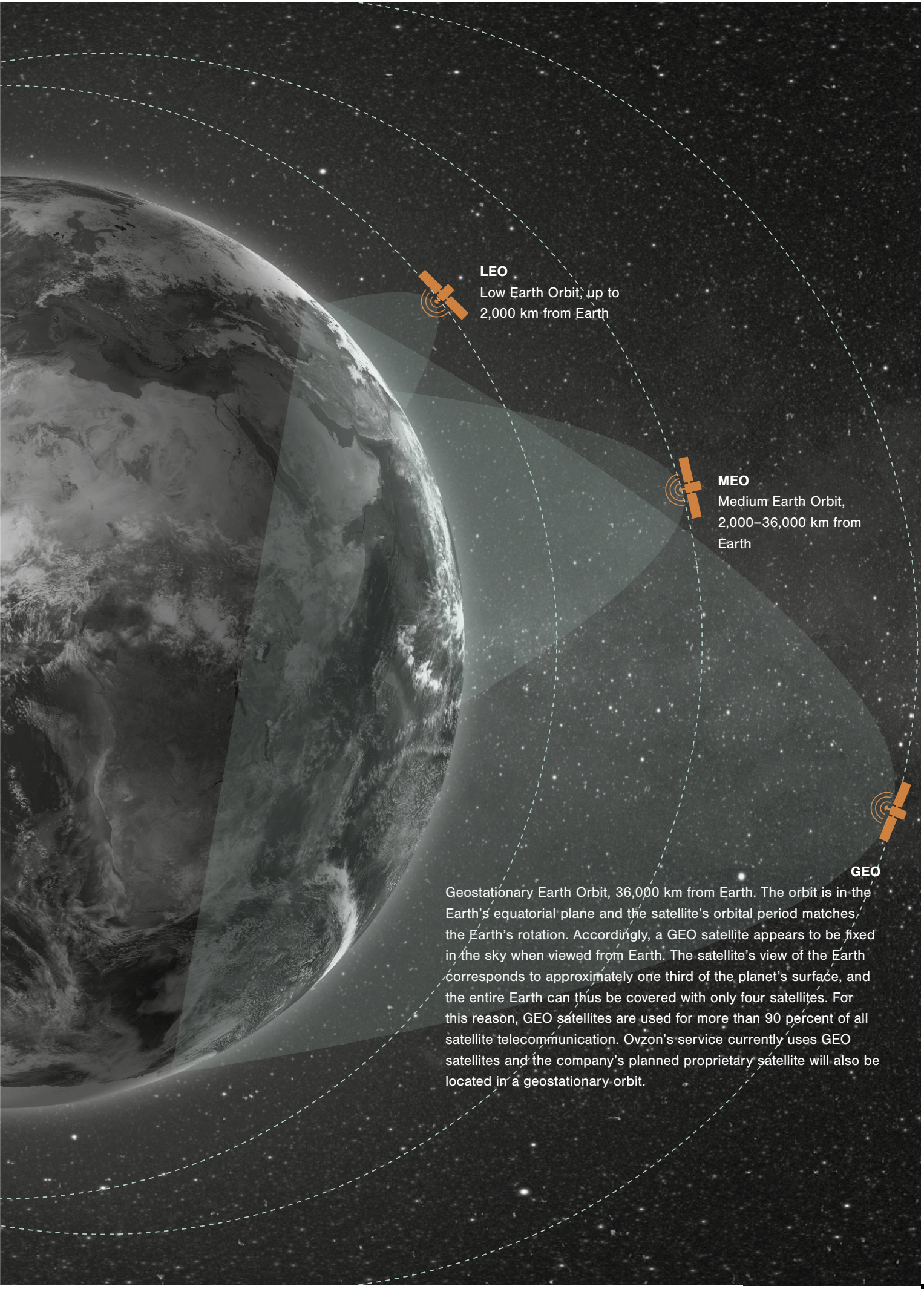
2. C-band (4 – 6 GHz): Generally used for TV broadcasting, data and voice communication, especially in areas of heavy precipitation.

3. L-band (1.5 – 1.6 GHz): The L-band is used for purposes such as satellite phones. The relatively narrow spectrum entails major constraints on the total data rate.

4. X-band (8 – 12 MHz): Mainly used for defense applications.

Satellite communication market's two major segments
The satellite communication market consists of two major segments:

- Fixed Satellite Services (FSS): Satellite service between fixed earth stations and one or more satellites. Typical use cases include: radio and TV broadcast, business networks, internet backbone and mobile network backbone.
- Mobile Satellite Services (MSS): Satellite service between mobile earth stations using one or more satellites. Common areas of application are high-definition video, real-time sensors, broadband Internet access, phones from the ground or aircraft, maritime services (crew communication, for example) and hand-held "manpack" terminals.


LEO
Low Earth Orbit, up to 2,000 km from Earth
MEO
Medium Earth Orbit, 2,000–36,000 km from Earth
GEO
Geostationary Earth Orbit, 36,000 km from Earth. The orbit is in the Earth's equatorial plane and the satellite's orbital period matches the Earth's rotation. Accordingly, a GEO satellite appears to be fixed in the sky when viewed from Earth. The satellite's view of the Earth corresponds to approximately one third of the planet's surface, and the entire Earth can thus be covered with only four satellites. For this reason, GEO satellites are used for more than 90 percent of all satellite telecommunication. Ovzon's service currently uses GEO satellites and the company's planned proprietary satellite will also be located in a geostationary orbit.

Operations and the service

Ovzon's offering of satellite-based mobile broadband services was launched in 2014. The offering has been well received and Ovzon's revenues increased from SEK 53.3 million in 2014 to SEK 232 million in 2019.

Ovzon's service offering

Ovzon's service offering is built on capacity leased from existing satellites and satellite operators. The service is sold as a complete solution and includes terminals, satellite capacity and gateway connectivity, network management and support. There are two pricing models under Ovzon's current service offering.

- Fixed price/bulk capacity: large amounts of bandwidth, provided over a longer period. The model represents approximately 95 percent of Ovzon's net sales.

- Variable price/per minute: the service is sold per minute, similar to a mobile phone service.

The service is also prepared for other pricing models, including charging users per amount of data transferred. As a general matter, margins for the variable sales models are higher compared with bulk-oriented sales, but the efforts necessary to increase utilization are also substantially more personnel-intensive than selling fixed capacity for longer durations.

Frequency band yields benefits

When customers use Ovzon's mobile broadband services, radio signals are transmitted via leased capacity on GEO satellites. The radio signals are sent over a certain frequency, a subsidiary band of the Ku-band that is not as heavily trafficked as the rest of the band. In addition, it is less sensitive to disruptions due to rain and atmospheric phenomena, which improves the service's availability and/or terminal sizes. Ovzon mainly targets the mobile services segment (MSS) in the satellite communications market.

Advantages of GEO satellites

Ovzon's service offering uses GEO satellites, which is a less complex satellite system compared with the LEO or MEO systems. The typical service life of GEO satellites is 15 to 20 years. The high altitude of GEO satellites enables global coverage using only four satellites, with the exception of the polar regions, while LEO systems require at least 50 satellites for global coverage.

Small and user-friendly terminals

With the experience and knowledge of development and integration of small satellite terminals, Ovzon is well equipped for the challenge of developing the next generation of terminals, which are well suited for the satellites utilized by Ovzon.

- T5 terminal (2014): Ovzon's T5 terminal was launched in 2014. The T5 terminal has a simple user interface and built-in guidance system, allowing non-trained personnel/users to quickly align the antenna towards the satellite and automatically start communications. The terminal is carried in an ordinary laptop bag or backpack.

- Ovzon has many years of experience in developing and using Satcom On the Move (SOTM) terminals. The COTM terminals used in Ovzon's service offering, however, have been provided by third-party manufacturers and modified by Ovzon for use with its services.

Comprehensive patent portfolio

Ovzon holds a number of patents covering inventions related to its service offering and products. In addition, Ovzon also holds certain patents that primarily relate to the technical aspects of antennas. Ovzon has adopted a patent policy that ensures clear, strategic management of its patent activities. Patents are applied for in countries where defending the technology is important, such as the US, Germany and others.

Innovation and technology at the fore

Ovzon continues to invest in developing new terminals and new terminal technology. The strategy is to develop antenna technology, modem technology and other core technologies internally to have full control over intellectual property and to rapidly bring prototypes to production as customers demand new solutions and functions. Another example of terminal development is the ongoing GPC (Ground Processor Component) project, partly financed by the Swedish National Space Agency (Rymdstyrelsen). In 2018 and 2019, Ovzon's innovation efforts were focused on on-board processors (OBP), a primary component of the company's future satellites.

Ovzon's customer groups

Ovzon focuses on developing and marketing its services to government agencies and the military, media and non-governmental organizations (NGOs) as these customers are deemed to have the greatest need for high bandwidth and high-mobility communication solutions. At present, the company mainly has agreements with US defense forces through the distributor Intelsat. A larger agreement regarding Ovzon's future proprietary satellite, Ovzon 3, was signed with Intelsat in 2019. A distribution agreement and a small order were also signed during the year with the Italian company Gomedia, which counts Italian government agencies and defense forces among its customers. In addition, a partnership was inaugurated with Hispasat, which has a presence in Spain and Latin America and delivers broadband and connection services to government agencies, companies and operators. In the media category, Ovzon has conducted successful pilot tests with several TV companies.

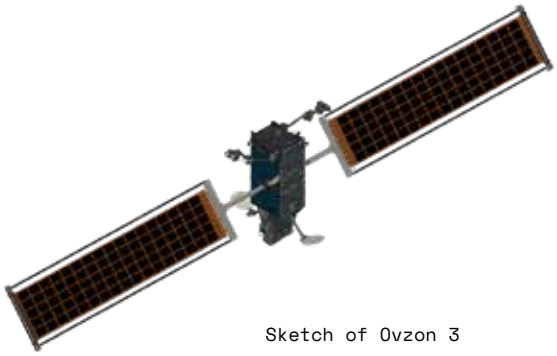
Ovzon 3

– makes higher data speeds and new services possible

Since its foundation, Ovzon's goal has always been to send up its own satellites in order to fully leverage the company's unique technology. Now that goal is close, in 2019 funding was secured for manufacturing and launch of the first satellite and in conjunction with that, the manufacturing was started in partnership with Maxar.

The launch of this first satellite, Ovzon 3, is planned for the second half of 2021 – perhaps the most important goal to date in the company's history. Ovzon 3 will make higher data speeds and new services possible.

Ovzon's current communication service runs on leased capacity on other operators' satellites. Using the company's unique technology for both communication and terminals – which send and receive signals – the company already has an offering that yields significantly faster data transfer than its competitors. The future proprietary satellite entails a number of advantages for Ovzon's customers:



Sketch of Ovzon 3

	Leased satellite		Proprietary satellite
Control	Control over coverage and networks by owner	Increased control	Control over coverage and networks by Ovzon
Broadband	Up to 10 Mbps / 40 Mbps (up/down)	Up to 8x faster	Up to 80 Mbps / 100 Mbps (up/down)
Mobility	T5 terminal, laptop size	Terminal x size	3.5" terminal
New functionality		New functionality	Single hop (small-to-small) routing traffic

With proprietary satellites, Ovzon's patented technology can be fully utilized.

Advantages of a proprietary satellite:

1. Increased control

With a proprietary satellite, the company can control which portion of the Earth's surface communication to cover and can better customize its services. By adapting the satellite to Ovzon's service (broadband) and technology, the satellite is adapted to our customers' needs. Ovzon has control over the design of the satellite, the technology on board, regulatory issues and any potential relocation and steering of the satellite in space.

2. Faster service

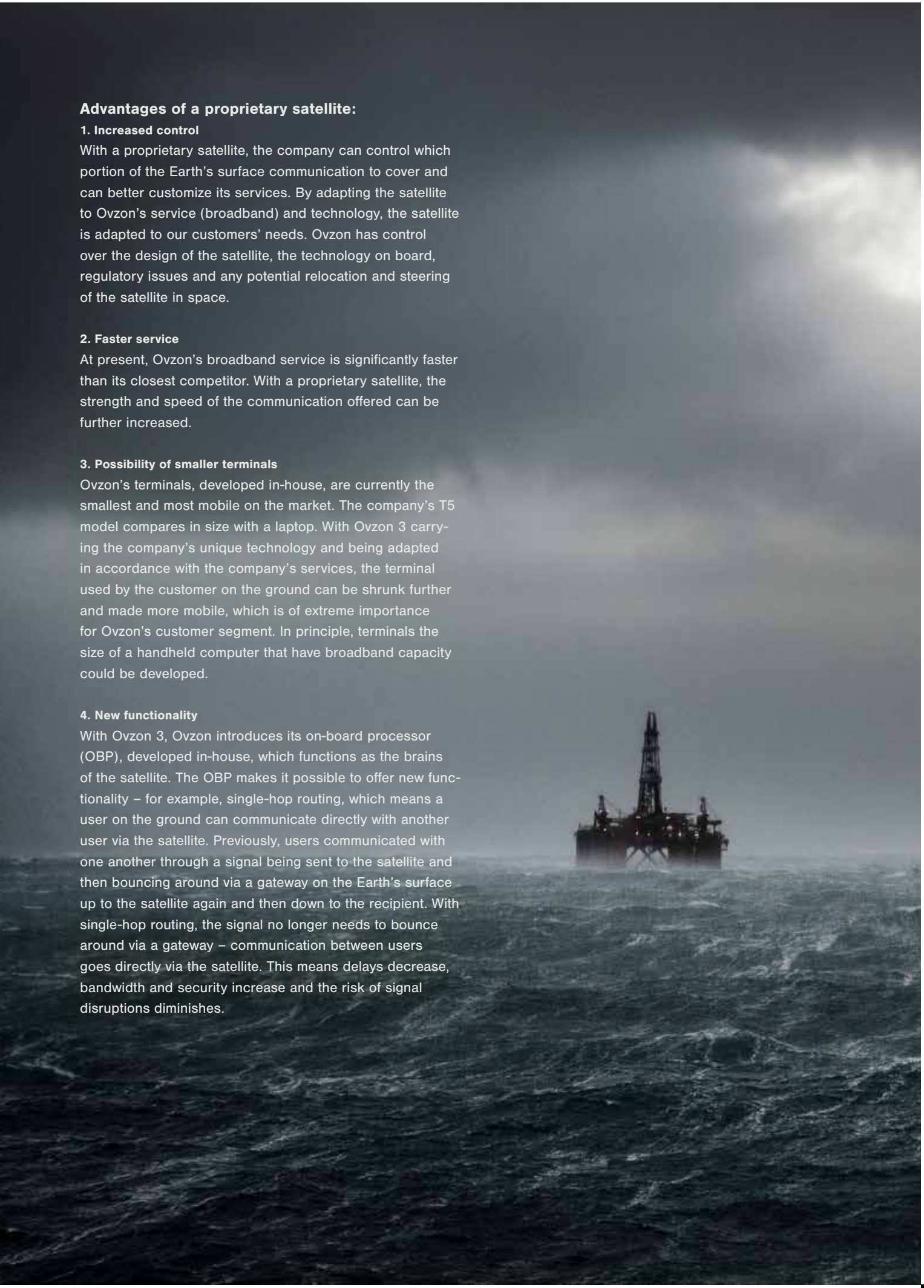
At present, Ovzon's broadband service is significantly faster than its closest competitor. With a proprietary satellite, the strength and speed of the communication offered can be further increased.

3. Possibility of smaller terminals

Ovzon's terminals, developed in-house, are currently the smallest and most mobile on the market. The company's T5 model compares in size with a laptop. With Ovzon 3 carrying the company's unique technology and being adapted in accordance with the company's services, the terminal used by the customer on the ground can be shrunk further and made more mobile, which is of extreme importance for Ovzon's customer segment. In principle, terminals the size of a handheld computer that have broadband capacity could be developed.

4. New functionality

With Ovzon 3, Ovzon introduces its on-board processor (OBP), developed in-house, which functions as the brains of the satellite. The OBP makes it possible to offer new functionality – for example, single-hop routing, which means a user on the ground can communicate directly with another user via the satellite. Previously, users communicated with one another through a signal being sent to the satellite and then bouncing around via a gateway on the Earth's surface up to the satellite again and then down to the recipient. With single-hop routing, the signal no longer needs to bounce around via a gateway – communication between users goes directly via the satellite. This means delays decrease, bandwidth and security increase and the risk of signal disruptions diminishes.



From blueprint to high-tech satellite in orbit

The manufacture of Ovzon's first proprietary satellite, Ovzon 3, commenced in the summer of 2019. Manufacturing a new – and for Ovzon, customized – satellite requires meticulous preparations. The work in partnership with Maxar and Arianespace – two highly experienced partners in manufacturing and launches – is progressing according to plan and can be divided into a few phases:

1. Planning, design and sourcing

Even though Ovzon has been working on the design of Ovzon 3 for several years, the work gained momentum in the summer of 2019, as did planning for the entire process. At the same time, Maxar also began sourcing components for the satellite and manufacturing subsystems. This initial phase was concluded in January and February 2020 with a preliminary design review (PDR). It was thereby established together with the company's partner, Maxar, that the main design met all of Ovzon's requirements.

2. Detailed design

The design in detail of all the subsystems and components is specified in this phase. Subsystem assembly and installation also commences. In addition, qualification tests are performed on subsystems and units. This phase also includes a critical design review (CDR), which began in Q1 2020 with a CDR at the subsystem level and will conclude in the summer of 2020 with a CDR at the system level.

3. Manufacture, testing and verification

Final manufacture and assembly of all satellite parts will take place at Maxar in Palo Alto, California. Components and parts will be delivered from around the world including Sweden, where several important units are being developed. The final testing of functionality, assembly and quality will take place at Maxar, which will also verify that the satellite meets all the specified requirements. At the end of the period, a pre-shipment review (PSR) will be conducted.

4. Launch of the satellite

After the PSR, the satellite will be sent to the satellite launch facility in French Guiana in South America, south of the Caribbean archipelago. Considering the size of the satellite, the transportation itself is complicated. The launch site is ideal, since the satellite will be transported to an orbit over the equator. The launch is scheduled for the second half of 2021. The satellite will be sent up on an Arianespace 5 rocket and released at an altitude of 250 kilometers. The satellites' journey to its determined orbital position begins from there. It will take several months for Ovzon 3 to move into position. The journey itself will be unique. The satellite will maneuver with the help of a rocket engine that uses a process called electrically powered propulsion, in which an ionized gas is expelled from the engine and gives rise to adjustable propulsion. The electrically powered propulsion method is extremely efficient for its weight, which gives the satellite a long service life and excellent overall economy.

5. The satellite in place

Once the satellite is in place in its orbital position, the communication system – Ovzon's unique OBP – and other functionality will be tested. These in-orbit tests (IOTs) will take around a month. After that, the satellite will be operational.

Launch planning in parallel

The launch is being planned with Ovzon's partner Arianespace in parallel with the phases outlined above. This work commenced in 2019, and a mission analysis was started in Q1 2020. It encompasses calculations of the course and the orbit the rocket will take, and where the satellite will be released. The satellite's weight, rigidity and center of gravity are crucial parameters in this equation. After the CDR, the mission analysis will be updated and prepared.

The market

The satellite communication market is an established and significant market with total global sales of approximately USD 127 billion in 2018. The market had an annual growth rate of approximately 3 percent between 2010 and 2018. The four largest satellite operators – Eutelsat, Inmarsat, Intelsat and SES – dominate the market. Customers have historically faced an inherent trade-off in satellite communications, having to choose between mobility or bandwidth. Ovzon's solution enables satellite communication with high bandwidth and small, mobile terminals.

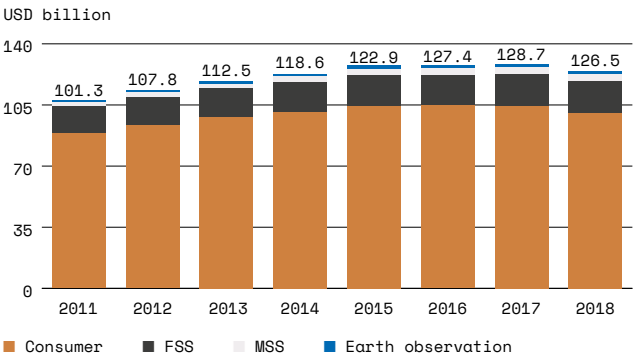
Market size and drivers

The consumer portion of the market represents the majority of the market, amounting to approximately USD 102.4 billion, or 81 percent of the market, in 2018. It consists primarily of revenue from the transmission of direct-to-home satellite television with fixed antennas. This market is not a part of Ovzon's addressable market.

The share of other fixed satellite services (FSS) in 2018 totalled USD 17.9 billion, or 14 percent; this market consists of satellite transfers for companies and government agencies, with fixed antennas. Ovzon estimates that approximately one fourth of this market (around USD 4 billion) will be reachable, since customers could be attracted by and switch to communication with the high bandwidth they have now but with increased mobility in addition.

The mobile satellite service (MSS) market segment amounted to USD 4.1 billion, or 3 percent of the total market, in 2018 and includes revenue from the transmission of mobile data and voice services. The data services sub-segment is believed to be entirely addressable by Ovzon as customers will be attracted by the potential of mobile communication with higher bandwidth. There is a great and growing need for satellite-based data communication that is being insufficiently met owing to the low bandwidth, low mobility and high costs of current solutions. Accordingly, Ovzon's assessment is that the total addressable market for the company is approximately USD 8 billion.

Global satellite service revenue



Source: 2019 State of the Satellite Industry Report

Satellite value chain and example companies

Satellite manufacturers	Launchers	Equipment manufacturers	Satellite operators	Service providers	End users
• Boeing • Orbital ATK • Thales • Maxar	• Arianespace • Boeing • ILS • SpaceX	• ViaSat • Cobham • Hughes	• Intelsat • Eutrelsat • Ovzon (with Ovzon 3)	• Ovzon • Marlink • Speedcast	• Government agencies and defense forces • Media • NGO

Source: Ovzon

In addition to the potential described above, Ovzon believes that there are a number of business opportunities that are not included in the market size above. Ovzon offers both high-mobility and high bandwidth satellite communication to customers that historically have been compelled to choose either one. The new potential in Ovzon's offering is expected to lead to additional demand, and thus to new business opportunities.

Key market drivers

The company believes that an overarching market driver for satellite communication is the development of applications that combine high bandwidth with high mobility. Global internet traffic is expected to continue to increase strongly going forward. This growth will be driven by the need for more capacity and speed, the development of more data-rich solutions, new apps and a growing need for new security

Gaetano Morena
CEO, Gomedia Satcom

Through a new partner in Italy, Gomedia Satcom, Ovzon is expanding its geographical spread. The parties will jointly market Ovzon's current services in Italy. The company's customers include Italian government agencies and defense forces. Ovzon has already received its first order from Italy.

At the end of 2019, Gomedia Satcom signed a distribution agreement with Ovzon. What kind of customers will you target with Ovzon services?

"We are approaching customers who need satellite communication. Gomedia is one of the largest suppliers of state satellite communication services in Italy, so we have begun marketing this new service to our existing customers."

Have you received any initial replies from customers?

"Absolutely, we have received extremely positive responses, primarily concerning data transfer even while on the move, but also for user-friendliness in terminals designed by Ovzon."

What are the advantages of this agreement for Gomedia Satcom, and what potential do you envision?

"The agreement with Ovzon not only expands our business with existing customers, but also creates new opportunities in new market segments. We are extremely pleased with this partnership."

solutions, all requiring additional bandwidth. Additionally, as broadband connectivity becomes an integral part of peoples' everyday lives, ubiquitous and reliable connectivity will be demanded even in the most remote areas.

Value chain

The satellite communications value chain comprises five different main segments (see image above), but with a complex web of relationships and interlinkages.

In the GEO satellite segment, there are more than 50 satellite operators that together operate 300 satellites. The sector is dominated by the four largest providers Eutelsat, Inmarsat, Intelsat and SES, which essentially provide global coverage and jointly receive nearly two thirds of revenues, according to Euroconsult. Service providers encompass a wide range of different actors providing the market with different services necessary for satellite communication. Firms in this segment include Marlink and Speedcast, as well as Ovzon.

Competition

The overall satellite communications market is characterized by a high degree of competition with a limited number of large satellite operators, each holding significant market shares. Ovzon has designed its system to provide a competitive advantage by balancing several characteristics to match the requirements of its targeted customer segment, including mobility, terminal size, high uplink and downlink data rates and high link availability. Ovzon believes that there is limited competition in the niche of high-bandwidth satellite communication services with mobile terminals.

The closest competing service is Inmarsat BGAN. These services have terminals of similar size, but Ovzon has significantly higher data speed in comparison with these services.

Competitors' new offerings based on high-throughput satellites, such as Intelsat's EPIC and Inmarsat's GlobalXpress services launched in 2016 and 2015 respectively, have been designed to offer the largest possible total accumulated bandwidth in the satellite, equally distributed over a large geographical area. The main competitive advantages of these types of services are coverage area and price, which is often lower than Ovzon's. From a mobility perspective, however, this choice of structure with a large total bandwidth over an extensive geographical area is a trade-off against lower transfer speed and/or larger terminals on the ground, which are consequently less mobile.

Competition from new services

High-throughput satellites (HTS)

The introduction of new satellite systems involves long lead times for design, frequency applications, financing, manufacture and launch. Ovzon believes that the trend of HTS will continue for some time yet. Projects for which planning began long ago are now becoming ready for launch. These satellites will have even more total bandwidth compared with their predecessors, but they have similarly been forced to sacrifice mobility in their system design.

LEO-based services

In 2019, several new initiatives were launched in the low earth orbit (LEO) segment. In 2019, SpaceX launched a total of 122 satellites in its Starlink venture. Over the long term, Starlink's network is planned to involve over 12,000 satellites to provide global coverage – an investment of over SEK 100 billion. The vision for SpaceX's Starlink is to provide broadband services to locations where laying fiber is not economically viable. Amazon has initiated Project Kuiper and applied to send up over 3,000 LEO satellites. Another project, OneWeb, plans to send up 30 satellites in early 2020 and intends to achieve global coverage in 2021 with approximately 650 satellites. The challenges for LEO systems are many. Achieving profitability in these projects has proven difficult. Ico and Iridium, similar projects launched 20 years ago, went bankrupt. LEO satellites must be replaced more often and a large number is required for the technology to function. Even the technological challenges are great, since the satellites form a chain around the Earth that must communicate both with itself and with users on the planet's surface. In relation to GEO satellites, LEO systems have more laws of nature to contend with and fundamental obstacles in their way. There are also regulatory challenges. GEO has priority over LEO satellites, which means that if a disruption occurs, LEO satellites have little to no protection. Ovzon believes that these ventures, like previous ventures in the LEO segment, have limited potential for scaling up in accordance with existing plans. If these players succeed, however, then LEO players are potential business partners for Ovzon.

Source: 2019 State of the Satellite Industry Report

Ovzon's customer groups

Ovzon focuses on developing and marketing its services to government agencies and the military, media and non-governmental organizations (NGOs) as these customers are deemed to have the greatest demand for high-bandwidth and high-mobility communication solutions.

Government and Defense

Today, more than 20 commercial satellites supply satellite capacity from the four large operators (Intelsat, SES, Eutelsat and Inmarsat) to different governments and their organizations, where the American Department of Defense is a major buyer, according to Euroconsult. While the bulk of the capacity is leased for surveillance activities to support the use of unmanned aerial vehicles ("UAVs"), usage areas also include connectivity of military bases and broadband connections for ships and land vehicles in the field.

Examples of customers and potential customers:
US Department of Defense, NATO, UK Ministry of Defence, France, Germany, Swedish Armed Forces.

Media

Media organizations collectively represent one of the largest groups of users of satellite communication, using both FSS and MSS to transmit live broadcast-quality voice, live video/videophone and store-and-forward video footage and still images from the field. Broadcasters use satellite communication primarily for distribution of content from live programs, such as news and sports.

Examples of customers and potential customers:
TT, Associated Press, BBC, CNN, Sky News.

NGO

Communications are critical for relief agencies in emergency/disaster situations – assisting with logistics, rescue and first responder resources. Deploying communications is among the top priorities in any emergency response, rescue or relief situation.

Examples of customers and potential customers:
Medicines Sans Frontiers, Red Cross, United Nations.

Strengths and competitive advantages

Ovzon's communications system is designed to provide competitive advantages through a unique combination of high data rates, high mobility due to small terminals and a high degree of availability. Ovzon's proprietary satellite design will also entail steerable coverage areas and enable direct communication between small terminals.

1. Large and growing market for satellite communication services
Ovzon operates in the global satellite market, which in 2018 had revenues of USD 127 billion. From 2010 through 2018, the global satellite market grew at a compound annual growth rate ("CAGR") of 3 percent. The growth has primarily been driven by higher data consumption and substantial demand for mobility.

2. Increased demand for mobility
The demand for broadband capacity and services is expected to increase due to higher global internet traffic, more data-rich solutions and applications, as well as a need for higher security and speed. While the fixed and mobile network deployment continues on a global level, Ovzon believes there is a need for reliable connectivity to provide broadband to mobile devices, in remote areas or as backup to fixed or mobile networks. Ovzon is well-positioned to benefit from the growth in mobile broadband traffic that will come from increasing bandwidth demand and a growing number of communication needs.

3. Attractive offering based on the combination of high bandwidth and mobility
Ovzon has designed its service to provide high data rates combined with mobility, where portable, highly compact and lightweight user terminals provide the same data throughput capability as large fixed satellite terminals. Ovzon uses frequencies in the Ku-band, which allows a high degree of availability – that is, the required bandwidth can be provided when and where needed with limited impact from, among other factors, weather conditions. Ovzon has extensive experience and knowledge in developing small terminals and currently has what Ovzon believes to be the world's smallest truly broadband terminal.

4. Proven technology and business model
In 2014, Ovzon began offering its satellite communication services by combining leased capacity on existing satellites with satellite technology and terminals in new ways. The service has validated the technology and the performance of the terminals, as well as the attractiveness to the market and the service pricing levels. The demand for this service has been strong, which is reflected in Ovzon's financial track record and the continued work with customers to develop the next generation of terminals.

The facilities of Ovzon's production partner Maxar in Palo Alto, CA

5. High barriers to entry underpinned by patents, frequency licenses and orbital positions

Ovzon's value proposition is protected by a number of barriers to entry:

- Strong patent portfolio: A significant part of the patent portfolio is devoted to methods for detecting and handling interference, a major challenge in providing communication services in the Ku-band.
- Ku-band frequencies: Ovzon's strategic positioning in the Ku-band allows for a unique combination of high data throughput, operational reliability, availability and terminal mobility.
- Orbital positioning ensuring global coverage: Ovzon has registered six orbital positions with the ITU, one through Cyprus and the other five through PTS, the Swedish Post and Telecom Authority. The planning and maintenance of the orbital positions requires coordination with other satellite systems to avoid interference.
- Ovzon develops and delivers small terminals capable of communicating by high data rate: Ovzon offers an end-to-end satellite service to customers with ground terminals as part of the offering. The proprietary T5 terminal, a laptop-sized manpack terminal, has been delivered since the start of the service in 2014. New versions of the T5 are constantly being developed.

6. Management team with in-depth experience in the satellite communications market

Ovzon's executive management team has extensive and successful experience of developing and growing technology and satellite businesses on the world market and its employees have in-depth experience in the satellite communications industry. Ovzon co-founder Per Wahlberg, for example, was involved in establishing Swe-Dish in 1994, a company that was later sold via Datapath to the US company Rockwell Collins. The Ovzon management also has long-standing relationships with radio and TV broadcasters as well as governments, and a successful, proven track record of technological development and innovation.

Risk

Ovzon is exposed to a number of different risks that could have a direct or indirect impact on the operations. Some of the risk factors and significant circumstances that are considered to have a materially negative impact on the company's operations, financial position and earnings are described below, in no specific order and with no claim of being exhaustive.

Market

A competitive market

Ovzon faces competition today from a number of very large and established companies. It is likely that Ovzon will continue to face increasing competition in some or all of its market segments in the future.

Management

Ovzon routinely monitors the competitive situation for the purpose of proactively responding to any initiatives from competitors.

New technology could make the services obsolete

The space and communications industries are subject to rapid advances and innovations in technology. Innovations could render the current technologies less competitive by satisfying end-user demand in more attractive or cost-effective ways.

Management

Ovzon's service is based on proprietary and patent-protected technology. In addition, the company invests in maintaining its technological lead. Ovzon currently has a revolutionary service that combines high bandwidth with high mobility. The company considers itself to be unique in this position, which will be further strengthened when the company's plans for its own satellite are realized.

Customers

Limited number of end users

Ovzon sells its current services to a small number of separate end users, including the US Department of Defense. Spending authorizations for defense-related and other programs have fluctuated in the past, and future levels of expenditure and authorization for these programs may decrease, remain constant or shift to programs in areas where Ovzon does not currently provide services.

Management

Ovzon works constantly to broaden its customer base, and in 2019 the company signed agreements with partners that facilitated such an expansion and conducted a number of pilot tests in several complementary market niches.

Difficulty in securing new customers or new customer segments

Ovzon currently depends on individual customers. If Ovzon cannot retain its existing customers, the company could be negatively impacted.

Management

In order to reduce its dependency on individual customers, Ovzon is making efforts to expand its customer base and develop new segments for its services. New and existing customers have shown interest in Ovzon launching its own satellite. In 2019, the company took several important steps toward launching a satellite in 2021. Funding for Ovzon's proprietary satellite has been secured and production has commenced. Renewed contracts with existing customers have been secured, as has a significant agreement for the future proprietary satellite.

Partners

Dependence on third parties

Ovzon is dependent on the availability of satellite capacity from third parties with relevant geographic coverage areas, orbital positions and performance in relation to current customer requirements.

Management

Ovzon has good relations with established and recognized suppliers of satellite capacity. The company intends to launch its own satellite to strengthen its independence and take further control of its value chain.

Financial stability

Ovzon is active in an industry characterized by major infrastructure investments. Many companies, including Ovzon's partners, are severely indebted and it cannot be ruled out that they will experience financial difficulties if interest rate levels and/or their debtors' view of their ability to repay change.

Management

Ovzon carefully monitors the situation of its partners.

Dependence on cooperation with Intelsat General Corporation

Ovzon provides its services to end customers through a third party, IGC (Intelsat). The agreement is renewed annually. If the agreement is not renewed in accordance with its terms, Ovzon may be unable to continue providing its services in the short term or at all.

Management

Ovzon currently has a desirable service that IGC sells and the parties have a long-term relationship.

Delivery of contracted capacity from Intelsat General Corporation

Ovzon signed a multi-year agreement with Intelsat in Q2 2019, in which Intelsat will offer services to Ovzon via two powerful steerable antennas on Intelsat's new Intelsat 39 (IS 39) satellite. IS 39 was successfully launched in August, but since the technical and regulatory tests have not concluded it has not been possible to set a date for when delivery of the contracted capacity can begin.

Management

Ovzon engages in continual dialogue with Intelsat and the parties have a long-term relationship.

Dependence on external manufacturers for parts of the manufacture and installation of current products

Ovzon relies on third-party manufacturers, including for part of the installation and manufacture of the company's T5 terminals. If demand for the T5 terminal were to increase significantly, there is a risk that Ovzon would not be able to meet it.

Management

Ovzon continuously reviews its product, partner and manufacturing strategy and plans for future growth.

STRATEGY

Implement strategy and meet goals

Ovzon's long-term strategy is built on the introduction of proprietary satellite capacity. The launch of a proprietary satellite depends on access to capital, suppliers and partners. Successful implementation of the strategy is thus dependent on assumptions relating to the development of the market, future demand, costs of the launch, ability to implement new and sustainable pricing, success in increasing the customer base and creating new customer segments and the ability to secure additional satellite capacity to resell.

Management

In 2019, Ovzon implemented a number of measures that reduced these risks – for example, in the form of funding a proprietary satellite, new customer contracts, new customers and agreements with strategic partners such as Hispasat and Gomedia.

Financing

Financing and insufficient working capital

In the future, Ovzon could seek further financing, and renegotiate and refinance existing loans. Future financing could depend on such factors as the general situation in the financial markets, Ovzon's creditworthiness and Ovzon's capacity to manage its indebtedness. Accordingly, Ovzon may be forced to obtain financing on less advantageous terms.

Management

In 2019, Ovzon successfully financed the company's plans to launch its own satellite. The company believes that any future financing needs can be solved with loans or equity.

For a more detailed description of the financial risks – credit and counterparty risks, for example – and how they are managed, refer to Note 3.

Other

Satellites are subject to operational risks

Satellites in orbit are subject to operational risks. These risks include functional disruptions (commonly referred to as anomalies) that may be attributable to several different factors such as faults in manufacture, problems regarding the satellites' power or steering systems and general faults attributable to managing a satellite in space. A satellite can also be struck by meteoroids.

Management

Ovzon has chosen a recognized and well-qualified manufacturer for the company's planned satellite, based on Ovzon's specifications. This choice of manufacturer means that the risk of anomalies is reduced.

The satellite's service life is not achieved

Ovzon's opportunities for generating long-term revenue from its proprietary satellite depend on the satellite's service life. A number of factors affect a satellite's useful life, including the quality of its construction, the durability of its components, the ability to maintain a proper orbit and control over the satellite's functions, the efficiency of the satellite, and the remaining on-board fuel following launch.

Management

Ovzon has chosen a recognized and well-qualified manufacturer for the company's planned satellite, based on Ovzon's specifications. Well-planned manufacturing is the most reliable protection for achieving the planned service life.

Failed launches or other damage to the satellite

Failed launches result in significant delays due to the time required for organizing a replacement satellite, typically 20 months or more. In addition, carrier rockets may underperform, in which case the satellite can still be put into use by deploying its drive system to reach the desired orbit. This, however, reduces their useful life.

Management

Prior to the launch of Ovzon's own satellite, insurance is taken out to provide compensation for damage and a potential failed launch.

Risks related to intellectual property rights

Ovzon holds a number of patents and may acquire or develop further products and technical solutions that can be patented, registered or protected in some other way. There is a risk that Ovzon will not be able to maintain patents and other intellectual property rights and that registration applications for new intellectual property rights will not be granted or, if granted, will be limited in scope or by geography. Once the term of a patent has expired, there is a risk that Ovzon will not be able prevent competitors and other market participants from using Ovzon's products or technical solutions. There is also a risk of Ovzon infringing on, or being accused of infringing on, third-party intellectual property rights, which may entail expenses either to defend itself or to settle an infringement dispute.

Management

Since the company's inception, Ovzon has been thorough in protecting the company's innovations using patents and other intellectual property assets. This is a key part of the company's strategy moving forward, as the company offers services that are unique in terms of scope and performance.

Recruitment and employees

Technological competence and innovation are critical to Ovzon's business, and depend to a significant degree on the work of technically skilled employees. In addition, Ovzon is also dependent on attracting and retaining personnel capable of establishing and maintaining relationships with customers. The market for these types of employees is competitive.

Management

Ovzon intends to continue to offer an attractive environment for existing and future employees using the right remuneration terms and incentives, a positive corporate culture and a unique service with technological superiority.

Regulation in Ovzon's areas of operation

Ovzon's business is subject to regulation. Compliance with rules and regulations entail costs for Ovzon, and any non-compliance could expose Ovzon to fines and could limit Ovzon's ability to provide existing and new services. The maintenance and expansion of Ovzon's business is dependent upon such factors as the ability to obtain required frequency licenses and authorizations in a timely manner, at reasonable costs and on satisfactory terms and conditions.

Management

Today, Ovzon meets all regulatory requirements that are placed on the company. The company has good insight, planning and foresight regarding increased costs for compliance moving forward.

Sustainability and employees

Ovzon has initiated sustainability efforts divided into four areas of focus, with priority issues in each area. In total, the company has identified 16 priority areas based on internal and external stakeholder dialogues and inspired by the Global Reporting Initiative (GRI).

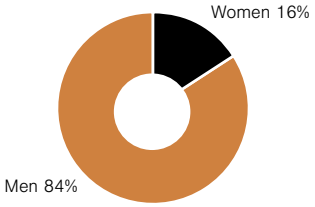
Reduce environmental impact

- Efficient meetings with video and teleconferencing
- Traveling by trains instead of flying

Responsible business

- Zero tolerance towards corruption
- Responsible supplier relationships: Ovzon works primarily with local subcontractors
- Information security
- Product safety
- Ethical guidelines
- Human rights

Employees at December 31, 2019



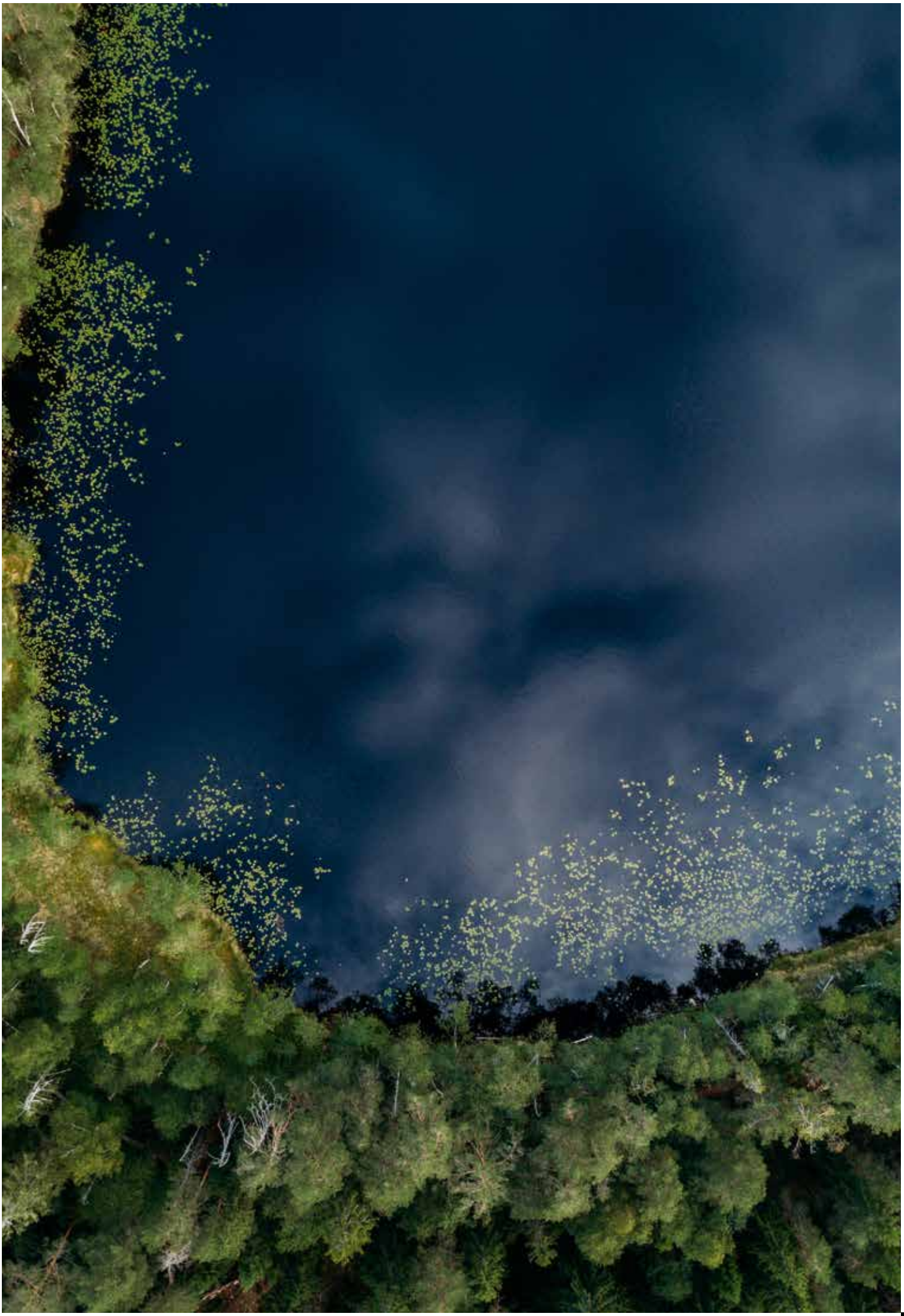
Contribute to society

- Innovation and dissemination of know-how
- Increased security: Ovzon's services are aimed at increasing efficiency in existing defense communication systems by utilizing their full capacity
- Community involvement focusing on promoting education and interest in technology

An attractive employer

- Develop managers and employees
- Employee commitment
- Work environment
- Equality and diversity: 16 percent of Ovzon's current employees are women and 40 percent of doctoral students in the company are women.*
- Occupational health and safety

* Figures as of December 31, 2019.



Share and shareholder information

Ovzon's disclosures to shareholders and the rest of the capital market are aimed at providing a fair view of the company's development, minimizing the risk of rumors and increasing interest in the company's share. The ambition is always to provide clear and current financial information.

On May 18, 2018, Ovzon AB was listed on Nasdaq First North Premier Growth Market under the ticker symbol OVZON.

Market capitalization and turnover

The last price paid on December 31, 2019, was SEK 64.8, entailing a market capitalization for Ovzon of SEK 2,176 million. During the period January 1 through December 31, an average of 36,630 shares were traded per day and in total, 9.1 million Ovzon shares were traded at a value of SEK 488 million. The lowest price paid was SEK 28.8 (February 6) and the highest price paid was SEK 79.8 (July 18). The price increase during 2019 was 67.8 percent, which can be compared with the Nasdaq OMX Small Cap Sweden GI index, which rose by 29.9 percent during the same period.

Share capital

At December 31, 2019, Ovzon's share capital amounted to SEK 3,358,559.6 distributed among 33,585,596 shares with a par value of SEK 0.1 per share. According to the Articles of Association, which were adjusted in conjunction with an Extraordinary General Meeting on December 27, 2018, the share capital is to be not less than SEK 3,358,556 and not more than SEK 13,434,224 distributed among not fewer than 33,585,596 shares and not more than 134,342,384 shares. Each share carries an equal right to participation in the company's assets and earnings. At the Annual General Meeting, each share provides entitlement to one vote and all shareholders can vote for the full number of shares held without restrictions to voting rights. The shares can be freely transferred.

Analysts

Analysts who continuously monitor the company:

Simon Granath
+46 8 566 286 32
simon.granath@abgsc.se

Rights issue, January 2019

In January 2019, Ovzon undertook a fully guaranteed rights issue of shares with preferential rights for existing shareholders of approximately SEK 750 million. Accordingly, the number of shares increased to 33,585,596 on January 30, 2019.

Private placement, January 2020

In January 2020, Ovzon undertook a private placement of shares of approximately SEK 84.5 million. Accordingly, share capital increased to 3,494,415.50 and the number of shares in the company increased to
34,944,155 as of January 29, 2020.

Dividend and dividend policy

Ovzon's Board of Directors has not adopted a dividend policy because the company is in a growth phase.

Warrants issued in conjunction with funding of Ovzon 3

The company issued 2,000,000 warrants in conjunction with the funding of Ovzon 3. Of the warrants issued, 1,500,000 have been allocated to date to subordinated creditors. The warrants allocated have a subscription price of SEK 100 and run for a maximum of five years. The warrants allocated had a market value of TSEK 4,818, which is recognized as prepaid transaction expense at year-end. Prepaid transaction expenses are capitalized as part of the cost of the non-current asset only when the loan commitment is utilized and the loan recognized.

Financial information

Ovzon publishes four interim reports and one annual report per year. All reports are available to read and download from the company's website, www.ovzon.com.

Annual General Meeting for 2019

The Annual General Meeting of Ovzon AB will be held at 4:00 p.m. on April 1, 2020 in the company's premises at Anderstorpsvägen 10, Solna, Sweden.

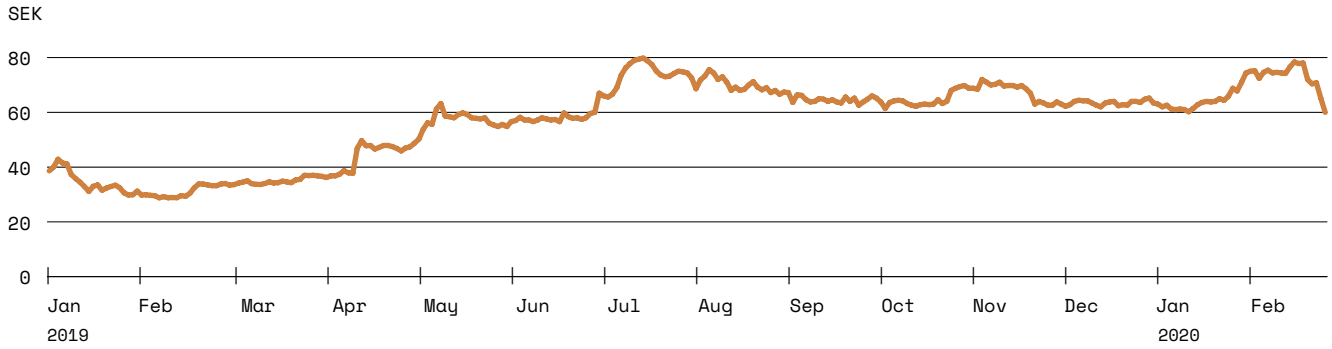
Share capital development

Year	Transaction	Change in number of shares	Change in share capital	Total share capital	Total number of shares
2016	–	–	–	SEK 500,000	5,000
1/1 2017	–	–	–	SEK 500,000	5,000
1/1 2018	–	–	–	SEK 500,000	5,000
7/2 2018	Share split	4,995,000	–	SEK 500,000	5,000,000
18/5 2018	New share issue	2,699,971	SEK 269,997	SEK 769,997	7,669,971
11/6 2018	Exercise of the over-allotment option	696,428	SEK 69,643	SEK 839,640	8,396,399
30/1 2019	Rights issue	25,189,197	SEK 2,518,920	SEK 3,358,560	33,585,596
29/1 2020	Private placement	1,358,559	SEK 135,855	SEK 3,494,415	34,944,155

10 largest shareholders at February 29, 2020

	Shareholder	Number of shares	Percentage, %
1	Öresund	5,009,426	14.3
2	Bure Equity	4,799,698	13.7
3	AFA	3,892,458	11.1
4	OverHorizon Plc	3,057,114	8.8
5	Handelsbanken	1,412,633	4.0
6	Catella	1,365,434	3.9
7	Stena Finans	1,358,559	3.9
8	Futur Pension	1,357,590	3.9
9	Handelsbanken Fonder	1,049,469	3.0
10	SEB Luxembourg branch	808,705	2.3
Total		24,111,086	68.9

Share performance



Corporate Governance Report

Good corporate governance is about ensuring that the company is governed as effectively as possible for the shareholders. The corporate governance of Ovzon AB is based upon Swedish law, primarily the Swedish Companies Act (2005:551) and the Swedish Annual Accounts Act (1995:1554) as well as the Swedish Corporate Governance Code (the "Code").

Being listed on Nasdaq First North Premier Growth Market, Ovzon complies with the Nasdaq First North Nordic Rulebook as well as statements by the Swedish Securities Council (Aktiemarknadsnämnden) regarding good stock market practice on the Swedish securities market, in addition to applicable legislation. Companies listed on First North Premier Growth Market are required to comply with the Code as of July 1, 2019. The Corporate Governance Report was prepared by the company's Board of Directors and reviewed by the company's auditors.

GENERAL MEETINGS

Pursuant to the Companies Act, the general meeting of shareholders is the company's supreme decision-making body and shareholders exercise their voting rights at such meetings. The Annual General Meeting (AGM) must be held within six months of the end of each preceding financial year to consider such matters as statutory accounts and reports, disposition of profit or loss and discharging the Board members from liability. Ovzon's Articles of Association stipulate that the notice to attend the AGM shall be published in the Official Swedish Gazette (Post- och Inrikes Tidningar) and be made available on Ovzon's website. Announcement of the notice to attend shall be published in the Swedish daily newspaper Svenska Dagbladet. The notice to attend the AGM shall be published no earlier than six weeks and no later than four weeks prior to the meeting.

Extraordinary General Meetings are held when the Board of Directors considers such meetings appropriate, or when either the auditor or shareholders representing at least 10 percent of all shares outstanding request such a meeting in writing for a specific purpose.

2019 AGM

- Re-election of Board members Lennart Hällkvist, Nicklas Paulson, Magnus René and Patrik Tigerschiöld. It was further resolved to elect Anders Björkman as a new member of the Board. Anders Björkman was also appointed Chairman of the Board.

- Grant Thornton Sweden AB was reappointed auditor for the company. Grant Thornton Sweden AB announced that Carl-Johan Regell would remain auditor in charge.

- The Meeting resolved to adopt guidelines for remuneration to senior executives in accordance with the Board's proposal. The guidelines remained essentially unchanged from previous years.

- The AGM resolved in accordance with the Board's proposal to authorize the Board to decide on issues of shares and/or warrants in an amount corresponding to a maximum of ten (10) percent of the total number of shares in the company on the date of the AGM through cash issue and/or offset, with or without deviation from the preferential rights of shareholders, on one or more occasions for the time prior to the next AGM. Issue of new shares by virtue of this authorization will be on the customary terms under prevailing market conditions.

Major shareholders

Ovzon's three largest shareholders are:

Shareholder	Number of shares	Percentage, %
1. Öresund	5,009,426	14.3
2. Bure Equity	4,799,698	13.7
3. AFA	3,892,458	11.1

Nomination Committee

The purpose of the Nomination Committee is to submit proposals regarding the chairman at general meetings, candidates for Board members including the position of Chairman of the Board, fees and other remuneration to each member of the Board of Directors, and remuneration for committee work as well as the election of and remuneration to the external auditor.

For the period through the end of the 2020 AGM, the Nomination Committee comprises Öystein Engebretsen, nominated by Investment AB Öresund; Sophie Hagströmer, nominated by Bure Equity; Anders Algotsson, nominated by Afa Försäkring; and Anders Björkman, Chairman of the Board of Ovzon.

No remuneration is paid to the members of the Nomination Committee. The Nomination Committee is entitled to request remuneration from the company for reasonable expenses that are necessary for the Nomination Committee to fulfill its assignment. The mandate period of the Nomination Committee extends until such time as a new Nomination Committee is announced.In conjunction with the work of the Nomination Committee and for its own improvement efforts, the Board of Directors conducts a self-evaluation of its work and efficiency on an annual basis. The results are reported to the Nomination Committee.

Board of Directors

Composition of the Board

According to the company's Articles of Association, the Board of Directors shall consist of no less than three ordinary members and no more than ten ordinary members. Five members were elected at the 2019 AGM: Anders Björkman, Lennart Hällkvist, Nicklas Paulson, Patrik Tigerschiöld and Magnus René. Anders Björkman was appointed Chairman of the Board. The CEO is a member of the Board, and is always in attendance at Board meetings. The company's CFO serves as the secretary to the Board.

Board work

The Board of Directors bears ultimate responsibility for governing the company's operations between Annual General Meetings. The Board decides on issues pertaining to the company's strategic approach, financing, major investments, acquisitions, divestments, organizational issues, incentive principles and key policies. The Board's work is regulated, for example, by the Swedish Companies Act (ABL), the Articles of Association, the rules of procedure that the Board has established for its work and the Board's instructions to the CEO. The Board's Articles of Association clarify the responsibilities of the individual members, especially the Chairman, as well as the allocation of responsibilities between the Board and CEO and the authority of the latter. These are further elucidated in the instructions to the CEO. The rules of procedure also indicate, at a general level, the topics that the Board of Directors will normally address during the work year and the allocation of time for the work.

In 2019, the Board of Directors reviewed its rules of procedure, the instructions to the CEO and the reporting instructions, and evaluated the work of the CEO.

The Board has appointed a Remuneration Committee that during the year comprised Anders Björkman and Lennart Hällkvist. As of December 2019, the Remuneration Committee comprises Anders Björkman, Nicklas Paulsson and Patrik Tigerschiöld. The Board of Directors has no Audit Committee; instead, the Board has managed the tasks of this committee as part of its routine activities. From the AGM on April 10, 2019 through February 18, 2020 the Board has held 15 minuted meetings.

The tasks of the Remuneration Committee

The Remuneration Committee prepares items and/or material for decisions concerning the following remuneration issues:

Board of Directors[1]

Name	Position	Elected	Independent in relation to the company and Group Management	Independent in relation to the company's major shareholders	Attendance at Board meetings	Attendance at committee meetings
Anders Björkman	Chairman	2019	Yes	Yes	15/15	2/2
Lennart Hällkvist	Board member	2007[2)]	No	Yes	15/15	1/1
Patrik Tigerschiöld	Board member	2018	Yes	No	15/15	1/1
Nicklas Paulson	Board member	2018	Yes	No	15/15	1/1
Magnus René	Board member	2018	No	Yes	15/15	–

1) The birth years, education, work experience, other significant assignments, own or related parties' holding of Company shares, independent position year of election to the Board of the CEO and the Board members are shown on pages 38–41.

2) Refers to year of first election to the Parent Company of the former Group, OverHorizon (Cyprus) PLC.

- Providing the Board with proposals for remuneration guidelines and other conditions of employment for the CEO and other senior executives (in accordance with the regulations of the Companies Act) at the first scheduled Board meeting of the financial year. This includes policies regarding salaries, remuneration and other conditions of employment for Ovzon's management. Examples of these are policies for short- and long-term bonus and incentive programs, pension policies and policies for basic salaries and other conditions of employment.

- Proposals regarding individual salaries and other remuneration to the CEO.

- In accordance with proposals from the CEO, decisions on individual salaries and other remuneration to directors who report directly to the CEO.

The CEO and Group management

The CEO is responsible for the routine management of the company's affairs and the daily operations. The division of work between the Board of Directors and CEO is set forth in the company's rules of procedure for the Board of Directors and the instructions to the CEO. The CEO keeps the Board continually informed of the company's operations, results of operations and financial position through monthly reports and other measures. The CEO is responsible for preparing reports and compiling information for Board meetings and for presenting these materials at the Board meetings.

Magnus René was appointed President and CEO in early May. Former CEO Per Wahlberg was appointed EVP Business Development and Innovation and is also deputy CEO. CEO Magnus René leads the company's operations together with CFO Johan Brandt, CTO Kennet Lejnell, EVP Satellite Operations Pål Ekberg and EVP Key Accounts Jim Gerow.

Remuneration and terms of employment

Board of Directors

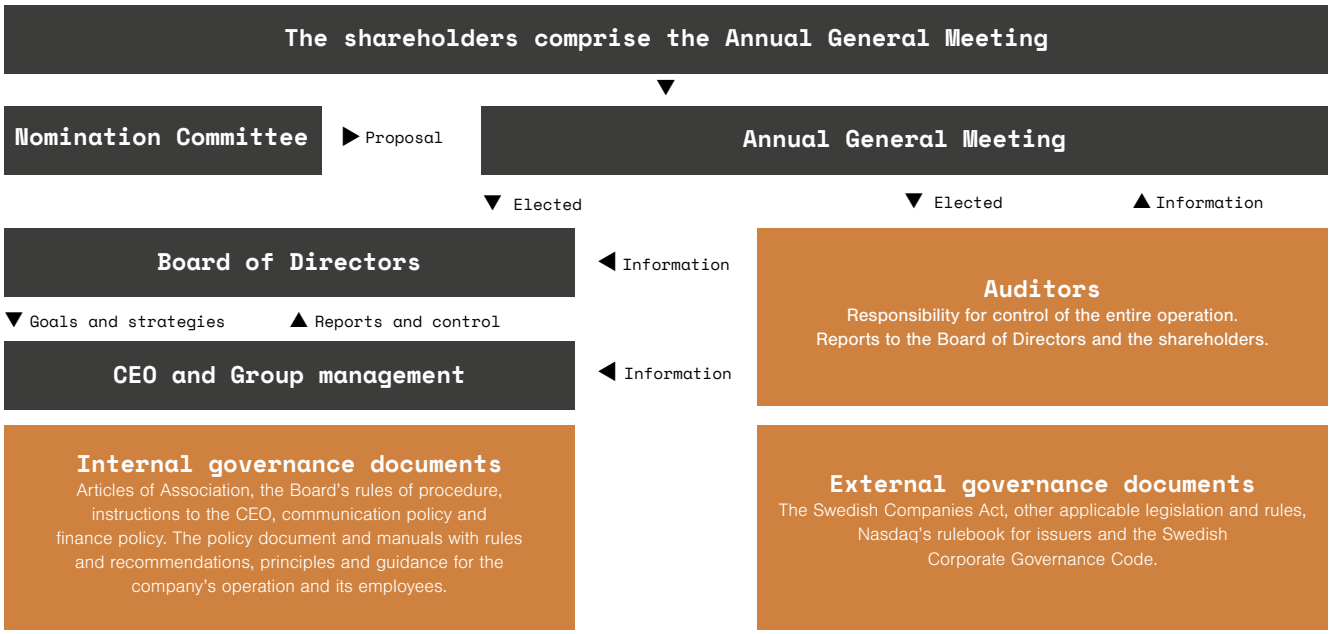
The amount of remuneration granted to the Board of Directors, including the Chairman, is determined by resolution at the AGM. At the AGM on April 10, 2019, it was resolved that fees of TSEK 150 would be paid to Board members not employed by the company and that a fee of TSEK 300 would be paid to the Chairman.

The members of the Board of Directors are not entitled to any benefits upon ceasing to serve as a member of the Board of Directors. Remuneration to the members of the Board of Directors for the 2019 financial year amounted to a total of TSEK 675.

The CEO and Group management

Ovzon will offer market-based total compensation that permits recruitment and retention of senior executives. Compensation will comprise fixed salary, earnings-based remuneration, share shavings programs, pensions and other remuneration. Altogether, these portions composed the total compensation to an individual.

The fixed salary will take into account the individual's areas of responsibility and experience, and will be reviewed annually. The earnings-based remuneration will depend on the individual's fulfillment of qualitative and quantitative goals. For senior executives, the variable portion can constitute up to 50 percent of the fixed salary.



The Board of Directors decides on the remuneration policy for the CEO and Group management. As of the date of publication of this Annual Report, the applicable policy is designed in accordance with the guidelines for remuneration of the CEO and Group management, as adopted by the Annual General Meeting. Individual compensation to the CEO is approved by the Remuneration Committee, whereas individual compensation to other members of Group management is decided by the CEO and approved by the Remuneration Committee.

During the financial year, the CEO received salary of TSEK 2,687. Variable remuneration to the company's CEO for 2019 of TSEK 833 has been reserved as of the balance sheet date. The employment agreement for the CEO runs through the end of October 2020 and is subject to a mutual notice period of three months.

Auditing

The company's statutory auditor is appointed at the Annual General Meeting. During the year, the Board receives presentations from the company's auditors, who have reviewed whether the company's internal control and external reporting meet the requirements placed on a listed company. Carl-Johan Regell from Grant Thornton Sweden AB was appointed as auditor for 2019. For the 2019 financial year, the total remuneration to the company's auditor amounted to TSEK 1,088.

Deviations from the Code

Deviation from Code Rule 4.4

The company does not meet the requirement that at least two of the Board members who are not independent in relation to the company, are independent in relation to the major shareholders. The deviation arose during the year as Board member Magnus René was elected CEO. Owing to Lennart Hällkvist declining re-election ahead of the 2020 AGM and Cecilia Driving and Dan Jangblad being proposed as new members, the deviation from Code Rule 4.4 will cease to exist if the proposal from the Nomination Committee is approved at the AGM.

Deviation from Code Rule 9.8

The company does not meet the requirement that salaries during the period of notice and severance pay together do not exceed an amount corresponding to the fixed salary for two years. The deviation applies to a senior executive whose employment contract was signed before the company was listed.

Deviation from Code Rule 4.3

The company does not meet the requirement that at most one Board member elected by the AGM can work in the company's management or in the management of the company's subsidiaries. This deviation also arose during the year when Magnus René was elected CEO. In the same manner as above, this will cease to exist at the 2020 AGM.

Internal control and risk management

The Board of Directors is responsible for internal control. Internal control and risk management regarding financial reporting is a process designed by the Board of Directors for the purpose of providing the Board, management and others concerned in the organization with reasonable assurance concerning reliability in the external financial reporting, and whether the financial reports have been prepared in accordance with accepted business practice and applicable laws and ordinances as well as other requirements for listed companies.

Control environment

The basis for the internal control environment is the allocation of authority and responsibility among the Board of Directors, its committees, the CEO and the rest of company management. Within the company, the most substantial components of the control environment are documented in the Board's rules of procedure and the instructions to the CEO as well as policies and other governing documents.

Control activities

Suitable control activities are a prerequisite for managing substantial risks in internal control. To safeguard this internal control, the Company has both automated system-based controls and manual controls, for example, in the form of check-offs and inventories. Financial analyses of the company's earnings and monitoring of plans and forecasts supplement the controls, providing an overall confirmation of the quality of the reporting.

Internal audit

Ovzon has established a governance and internal control system, compliance with which is monitored regularly at different levels in the company. In light of this, the Board of Directors is of the opinion that there is currently no need to inaugurate a special audit function This assessment is reviewed annually by the Board.

Information and communication

The company's governing documentation in the form of policies, guidelines and manuals in terms of internal and external communication is kept updated and is communicated internally through the relevant channels, such as internal meetings and internal news mails. The company's communication policy, containing the guidelines for how information is to be disclosed, applies to communication with external parties. The purpose of this policy is to ensure that the company meets its disclosure obligations correctly and completely in accordance with applicable legislation and rules.

Stockholm, March 10, 2020
Board of Directors of Ovzon AB

Auditor's report on the corporate governance statement

To the general meeting of the shareholders in Ovzon AB (publ), corporate identity number 559079-2650.

Engagement and responsibility
It is the board of directors who is responsible for the corporate governance statement for the year 2019 on pages 32-35 and that it has been prepared in accordance with the Annual Accounts Act.

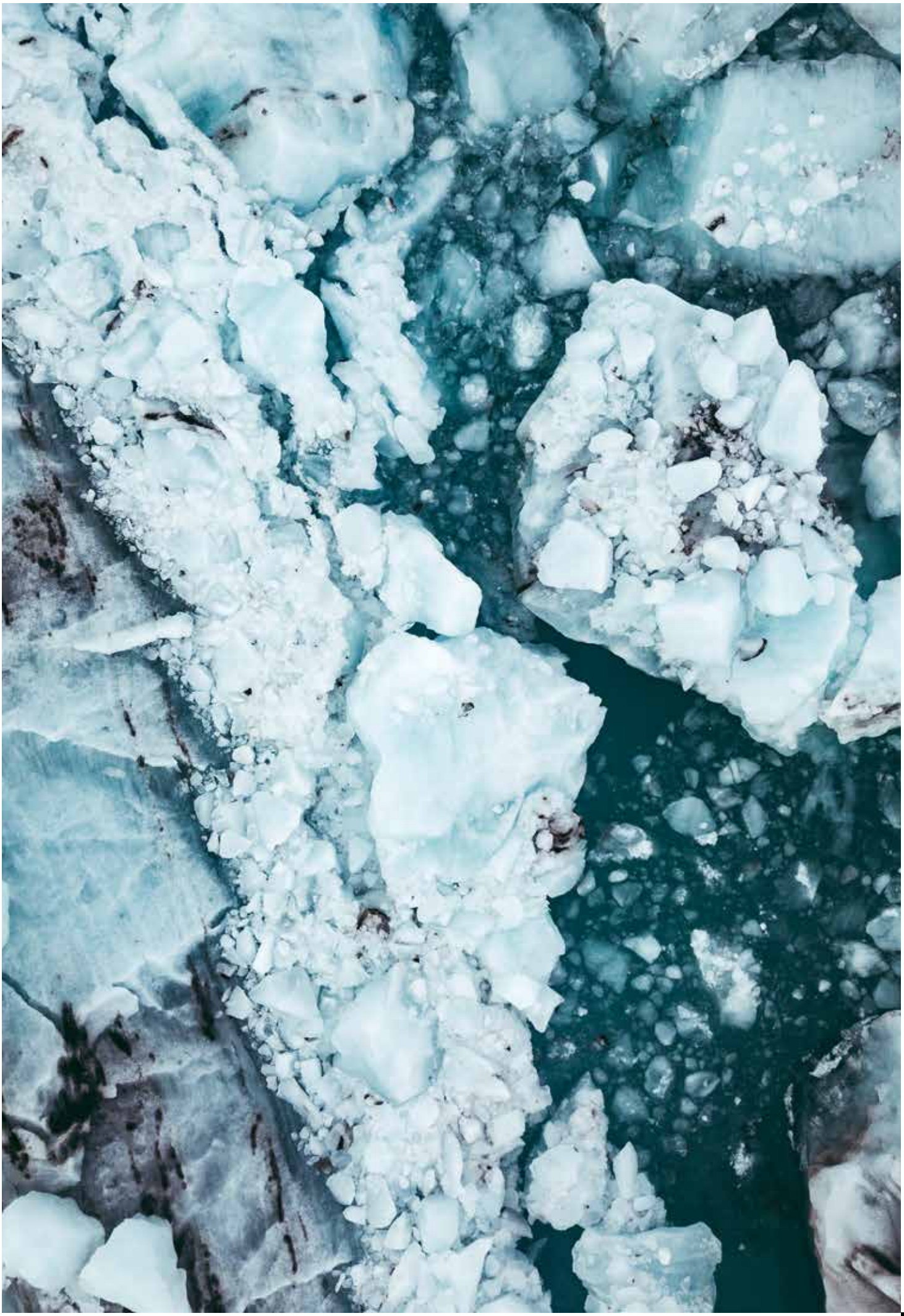
The scope of the audit
Our examination has been conducted in accordance with FAR's auditing standard RevU 16. The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions
A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, March 10, 2020

Grant Thornton Sweden AB

Carl-Johan Regell
Authorized Public Accountant



Board of Directors and Auditor

Anders Björkman

Chairman of the Board (since 2019).

Born 1959.

Nationality: Swedish.

Education: M.Sc. Electrical Engineering, Chalmers Institute of Technology.

Current engagements: CEO of Vinnergi Holding AB and Maven Wireless AB. Anders is a Board member of Tele2 AB and Allgon AB.

Previous engagements/Experience: Anders has a background in the telecommunications industry, where he was a driving force in the formation of what is now the Swedish telecom operator Tele2. He worked for Ericsson AB, was the CEO for Joint Ventures between OnePhone Holding with KPN and British Telecom and CEO of Argnor Wireless Ventures as well as a partner in Brainheart Capital.

Independent in relation to the company and Group management. Independent in relation to the company's major shareholders.

Anders Björkman holds 4,000 shares and 30,000 call options in the company.

Lennart Hällkvist

Board member (since 2007).

Born 1951.

Nationality: Swedish.

Education: M.Sc. Electrical Engineering, Chalmers Institute of Technology.

Previous engagements/Experience: CEO of NSAB and various management positions within Ericsson subsidiaries.

Not independent in relation to the Company and Group management. Independent in relation to the company's major shareholders.

Lennart Hällkvist does not own any shares in the company, but has an indirect ownership interest in the company through a 1.06 percent share in the company's former parent company, OverHorizon (Cyprus) Plc.

Patrik Tigerschiöld

Board member (since 2018).

Born 1964.

Nationality: Swedish.

Education: M.Sc. Business and Economics, Stockholm University.

Current engagements: Chairman of the Board of Bure Equity AB, Mycronic, Cavotec AB, the Swedish Association of Listed Companies and the Association for Generally Accepted Practices in the Securities Market. Board member of Bure Financial Services AB, Självregleringen i Sverige Services AB, and other companies.

Previous engagements/Experience: CEO of Bure Equity AB 2010–2013, CEO of Skanditek Industriförvaltning 1999–2010, CEO of SEB Allemansfonder AB 1995–1999.

Independent in relation to the company and Group management. Not independent in relation to the company's major shareholders.

Patrik Tigerschiöld owns 200,000 shares in the company.

Nicklas Paulson

Board member (since 2018).

Born 1970.

Nationality: Swedish.

Education: M.Sc. Economics, Stockholm University.

Current engagements: CEO of Investment AB Öresund. Board member of Bilia AB, Banhof AB and Bulten AB.

Previous engagements/Experience: Investment Banking at Carnegie Investment Bank AB (publ) and Alfred Berg ABN AMRO.

Independent in relation to the company and Group management. Not independent in relation to the company's major shareholders.

Nicklas Paulson owns 10,000 shares in the company, both own and through closely related parties.

Magnus René

Board member (since 2018) and CEO (2019).

Born 1962.

Nationality: Swedish.

Education: M.Sc. Electrical Engineering, Chalmers Institute of Technology.

Current engagements: Board member and CEO of the company, Board member of SLM Solutions GmbH and Inkbit Inc.

Previous engagements/Experience: CEO Arcam AB, 2001–2018. CEO and business area president Hogia Teknik, 1999–2000. VP Customer Service Mycronic, 1990–1999.

Not independent in relation to the Company and Group management. Independent in relation to the company's major shareholders.

Magnus René holds 80,000 shares and 200,000 call options in the company.

Auditor in Charge

Carl-Johan Regell

Born 1963.

Authorized Public Accountant, Grant Thornton Sweden AB

Group Management

Magnus René

CEO.

Born 1962.

Nationality: Swedish.

Education: M.Sc. Electrical Engineering, Chalmers Institute of Technology.

Current engagements: CEO and Board member of the company, Board member of SLM Solutions GmbH and Inkbit Inc.

Previous engagements/Experience: CEO Arcam AB, 2001–2018. CEO and business area president Hogia Teknik 1999–2000. VP Customer Service Mycronic, 1990–1999.

Magnus René holds 80,000 shares and 200,000 call options in the company.

Per Wahlberg

Deputy CEO

Born 1966.

Nationality: Swedish.

Education: History of Science and Ideas, Umeå University,
radio link technician, Swedish Air Force tele-technical school and tele-technical upper secondary school.

Current engagements: Deputy CEO responsible for innovation and business development in the company, deputy CEO and Board member for OverHorizon AB, founder and Board member of Etheron AB.

Previous engagements/Experience: Satellite operator Tele-X and project manager at Swedish Space Corporation, co-founder of Swe-Dish Satellite Systems AB.

Per Wahlberg owns 335,856 shares in the company and has an indirect ownership interest in the company through a 8.79 percent share in the company's former parent company, OverHorizon (Cyprus) Plc. In addition, Per holds 39,000 warrants in the company.

Kennet Lejnell

CTO.

Born 1968.

Nationality: Swedish.

Education: Ph.D. in Theoretical Physics, Stockholm University and Princeton University.

Current engagements: CTO of the company and Board member of Equi Performance Sweden AB and Banhof AB.

Previous engagements/Experience: CTO and CSO at Swe-Dish Satellite Systems.

Kennet Lejnell owns 185,795 shares in the company and has an indirect ownership interest in the company through a 2.56 percent share in the company's former parent company, OverHorizon (Cyprus) Plc. In addition, Kennet holds 25,000 warrants in the company.

Johan Brandt

CFO.

Born 1974.

Nationality: Swedish.

Education: MBA, Gothenburg School of Economics. (University of Gothenburg)

Current engagements: CFO of the company, founder and owner of Axellen AB and Board member of Spira Energy AB.

Previous engagements/Experience: Authorized Public Accountant at EY, CFO of Nimbus, EVP and CFO of Arcam AB.

Johan Brandt owns 18,000 shares in the company, both own and through closely related parties. In addition, Johan holds 25,000 warrants in the company.

Jim Gerow

EVP Key Accounts

Born 1961.

Nationality: American.

Education: Bachelor of Science in Electrical Engineering, University of Connecticut.

Current engagements: –

Previous engagements/experience: President of Swe-Dish Satellite Systems LLC; Government Program Manager, MBITR, MBMMR at USSOCOM, Department of the Army (DOA); Government (GS-13) at USSOCEUR; Medic, Public Relations Officer at USMC/Navy Special Warfare (NSW); USMC Special Operations Training Group (SOTG) and combat medical technician at SEAL.

Jim Gerow owns 7,500 shares in the company and has an indirect ownership interest in the company through a 1.18-percent share in the company's former parent company OverHorizon (Cyprus) Plc. In addition, Jim holds 39,000 warrants in the company.

Pål Ekberg

EVP Satellite Operations

Born 1972.

Nationality: Swedish.

Education: Political Science and Economics, Lund University.

Current engagements: CEO of OverHorizon LLC.

Previous engagements: VP Sales at Swe-Dish Satellite Systems, consultant at the Swedish Trade Council (Exportrådet) and lieutenant in the Swedish Air Force Reserve.

Pål Ekberg owns 50,000 shares in the company and has an indirect ownership interest in the company through a 2.69 percent share in the company's former parent company, OverHorizon (Cyprus) PLC. In addition, Pål holds 39,000 warrants in the company.


Annual Report
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Administration Report

The Board of Directors and CEO of Ovzon AB (publ), Corporate Registration Number 559079-2650, hereby submit the Annual Report and consolidated financial statements for the financial year 2019. It is proposed that the Annual General Meeting on April 1, 2020, approve the Annual Report. The registered office of the company is in the municipality of Solna, Stockholm County. The Annual Report is prepared in Swedish kronor and in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU.

General information about the operations

Parent Company

Ovzon AB (publ) is the Parent Company of a Group established in 2006 with the objective of providing broadband satellite service with its own and leased satellite capacity to customers in various parts of the world. The Parent Company's operations comprise senior management and staff functions and other central functions.

Group

The Group's operations comprise providing satellite-based broadband service through its own and leased satellite capacity with user-friendly, light and compact terminals. Since its start in 2006, Ovzon has developed a complete solution to meet the increasing need for mobile broadband connections in areas that do not have traditional telecom services and where connections do not meet the desired performance.

With advanced satellite communication over unique compact, portable terminals, packaged as a service that provides high-speed data, the company resolves many specific needs for different customer groups. Our customers comprise government agencies and defense forces, media and NGOs who are dependent on, for example, real-time sensors and video upload, either from mobile platforms or from on-site staff carrying the terminals with them. Ovzon's solution provides a transfer speed that is markedly faster than competing offerings.

The company's current service offering is provided with leased capacity on existing satellites. In 2019, the company began a project to build and launch Ovzon 3, its first proprietary satellite. Launch of the satellite is planned for 2021, and it will supply high-performance steerable antennas that will make services such as direct communication between small terminals possible.

The company has a strong patent portfolio and in addition currently has six orbit positions with associated frequency licenses for global coverage. The orbit positions are registered by the International Telecommunication Union (ITU) in the GEO stationary orbit.

The company has its head office in Solna, Sweden, with offices in Tampa, Florida and Bethesda, Maryland, both in the US.

Vision

To revolutionize mobile broadband via satellite by offering global coverage of the highest bandwidth through the smallest terminals

Financial targets

The company's financial targets are to grow with stable profitability and positive operating cash flows, as well as to finance future satellites through a combination of equity and borrowing.

Significant events during the financial year
2019 was an eventful year for Ovzon.

In January, Ovzon conducted a rights issue of approximately SEK 750 million that it had decided on in December 2018.

In April, two important agreements were signed with Intelsat: one in which Intelsat purchased services from Ovzon for SEK 520 million on Ovzon 3, the future satellite; and one that provides capacity for Ovzon on IS 39, a new Intelsat satellite being launched into orbit in August.

In early May, Board member Magnus René took office as the new CEO, and former CEO and founder Per Wahlberg was appointed Deputy CEO with responsibility for innovation and business development. In July, financing of the Ovzon 3 project was secured through borrowing agreements with Proventus Capital Partners for USD 60 million and a subordinated loan of SEK 200 million.

During the year, the company signed customer contracts totaling USD 13.7 million and entered agreements with Maxar and Arianespace for the manufacture and launch, respectively, of the company's first satellite, Ovzon 3. The satellite will be equipped with high-performance, controllable antennas and will include the On-Board-Processor (OBP) developed by Ovzon. The satellite is expected to be completed in 2021.

During the year, the company expanded delivery and revenue opportunities by securing leased satellite capacity through such measures as a partnership agreement with Hispasat, which provides access to satellite capacity in Europe and Latin America.

At the end of 2019, the company received a small order in conjunction with signing a distribution agreement with Gomedia in Italy. The work on engaging new sales channels has resulted in the hiring of additional distributors in early 2020.

The market and events
The company is experiencing continued strong interest in the its service, from defense-related operators as well as other customer segments in need of mobile broadband services via satellite in areas without functioning infrastructure.

During the year, a number of market activities and demonstrations were conducted of Ovzon's mobile broadband service for Europe's leading defense organizations. The applications demonstrated included high-definition video, data acquisition from terrestrial and airborne sensors, broadband Internet access, telephony, Push-To-Talk which was communicated via satellite in real time between vehicles (on-the-move) and handheld manpack terminals.

During the year, the company participated in a number of trade fairs, including the important IBC technology and media fair in Amsterdam, where, for example, Ovzon's "Mobile Broadband Unit" (MBU) and the minimal size of the company's T5 terminals attracted a large amount of attention.

Financial performance
Earnings
In 2019, net sales increased to SEK 231.6 million (207.9). Operating profit for the year amounted to SEK 11.4 million (-17.5). Net profit for the period amounted to MSEK 29.2 (-25.6). The operating and net profit include items affecting comparability of SEK -12.3 million (-26.1). These costs pertain to the write-down of the advance payment to Orbital, and in the previous year the costs were attributable to the company's listing and putting one of the company's orbital positions into operation, a so-called bring in to use.

Cash flow information
Cash flow from operating activities totaled SEK 9.6 million (-60.4) for the full year. Cash flow from investing activities totaled SEK -509.1 million (-12.1) for the full year. Cash flow from financing activities totaled SEK 654.9 million (90.4) for the full year. During the year, the company amortized interest-bearing debts of SEK 38.1 million and carried out a rights issue that generated SEK 748.1 million (less issue costs of SEK 53.7 million) for the company.

Investments
Investments in property, plant and equipment amounted to SEK -509.1 million (-11.9). Investments in 2019 pertained to the Ovzon 3 satellite.

Financial position
The Group's cash and cash equivalents amounted to SEK 257.4 million (77.2) at the balance-sheet date.

Equity amounted to SEK 796.3 million (73.0) and the company's debt/equity ratio was 89 percent (56). It is proposed that no dividend be paid for the financial year 2019.

Parent Company
In 2019, revenue amounted to SEK 21.8 million (6.6). Operating profit amounted to SEK 1.8 million (-19.6).

Board activities
Five members were elected at the 2019 AGM: Anders Björkman, Lennart Hällkvist, Nicklas Paulson, Patrik Tigerschiöld and Magnus René. Anders Björkman was appointed Chairman of the Board.

During the year, the Board of Directors held 19 meetings, at which it addressed issues of technical development, sales, Ovzon 3 and financial statements. The Board is responsible for the company's organization and management and continuously assesses the company's financial situation. The Board

has adopted written rules of procedure, which regulate such matters as Board meetings, business submitted to the Board, financial reports and instructions for the CEO.

Salary and other remuneration

The Board complies with the guidelines established by the general meeting of shareholders for determining salary and other remuneration for the CEO and other members of company management. Remuneration is paid in the form of fixed salary and bonus programs set annually on the basis of the established earnings targets.

Personnel

At the end of 2019, the number of employees in the Group was 25 (19).

The share and share capital

At December 31, 2019, Ovzon's share capital amounted to SEK 3,358,559.6 distributed among 33,585,596 shares with a par value of SEK 0.1 per share. According to the Articles of Association, the share capital is to be not less than SEK 3,358,556 and not more than SEK 13,434,224 distributed among not fewer than 33,585,596 shares and not more than 134,342,384 shares.

Transactions with related parties

During the period, the company retired TSEK 38,093 (regarding borrowings and accrued interest) in debts to Etheron AB and Equi Performance AB. Of the amortized settlements, TSEK 14,293 went to subscribing for shares in the company in conjunction with the rights issue in the first quarter. In addition, the company charged OverHorizon (Cyprus) Plc TSEK 1,380 for resources and various overhead charged to Ovzon AB.

Significant events after the end of the financial year

In January 2020, the company carried out a private placement of approximately SEK 84.5 million directed at Stena Finans AB.

The company expanded its network of distribution partners with Network Innovations, Bansat and Orbita.

Anticipated future development

Customer contracts related to leased satellite capacity were extended and orders totaling USD 13.7 M were received in 2019. The predominant share of the new customer agreements run until mid-March 2020.

Ovzon provides its current satellite communication service using leased capacity from existing satellites owned by third parties. In 2019, the company extended current services into new geographical areas by leasing capacity on additional satellites. For a satellite to be considered for use in Ovzon's services in general, it must meet certain requirements covering the correct frequency band, coverage area and otherwise a certain minimum level of performance.

The work on launching the company's first proprietary satellite (Ovzon 3) began during the year, and several key steps have been taken in this process. A proprietary satellite will increase the capacity and coverage area on the ground, which will improve the growth and profitability prospects. In addition, it will be possible to use the company's patented technology to its full extent. The launch is scheduled for 2021.

Ahead of 2020, the company is of the opinion that the market for satellite communication services that require high mobility and performance will continue to develop positively.

Other significant conditions

The Group's satellite operations currently generate revenue from customer agreements that are renewed every year for continued validity. Satellite operations usually require permits. However, operations are currently being conducted using leased satellites and it is the responsibility of the satellite owners to provide the required frequency licenses and other permits.

Significant risks and uncertainties

Risks associated with the Group's operations can generally be divided into operational risk related to business activities and risk related to financial activities. The Board is responsible for ensuring that the company manages its risks correctly and that there is compliance with the established policies for financial statements and internal control.

On pages 24–26 and in Note 3 of this Annual Report, Ovzon reports in greater detail on the company's principal risks and the measures taken to reduce these. A summary of the risks is set out below.

Market

Technical development and competition

Ovzon has developed and validated a commercially viable satellite communications service. To fully capitalize on the service's potential, one or more proprietary satellites are required. Delays in the Ovzon 3 project, either due to insufficient resources or because of unforeseen technical challenges, cannot be ruled out.

The space and communications industries are subject to rapid advances and innovations in technology. In addition to competition from current systems, Ovzon may therefore face competition in the future from companies using new technologies and new satellite and terrestrial systems, such as smart antenna systems and terminal technologies not available for Ovzon's frequency bands. Progress or technical innovations could render the company's current technologies less competitive by satisfying end-user demand in more attractive or cost-effective ways.

Partners

Ovzon relies on the availability of satellite capacity within the relevant frequency band and orbital positions from third parties for the provision of its current communications services. However, the availability of suitable third-party satellite capacity is subject to certain limitations as well as certain risks and uncertainties, many of which cannot be foreseen.

Customers

The majority of Ovzon's services are sold indirectly to an individual end user. Through its customer agreement with IGC, Ovzon provides its current services to a single end user: the US Department of Defense and other departments and agencies. For the 2019 financial year, approximately 95 percent of Ovzon's revenues were attributable to this customer.

Distributors and agents

In the majority of its markets, Ovzon depends on distributors and agents that both provide valuable customer contacts and are responsible for local expertise and implementation regarding regulatory requirements in their respective markets.

Financing

Financing and insufficient working capital

'Financing risk' corresponds to potential difficulties in obtaining financing for activities at a given time. In addition, there is a risk that the Group will be unable to comply with the conditions that the credit facilities impose.

Ovzon's future profit potential is highly dependent on the market's future performance. In the company's opinion, the existing cash flow and working capital are adequate for 12 months ahead.

Credit and counterparty risk

The Group's financial transactions give rise to credit risks with respect to financial counterparties. 'Credit and counterparty risk' means the risk of losses if a counterparty does not perform its obligations. The company is required to make significant advance payments in conjunction with the procurement and planning of satellites. If the company cannot recoup the advance payments made, it could have a significant negative impact on the Group's financial position and earnings. The Group endeavors to work primarily with established customers with a documented capacity to pay and competitive operations.

Liquidity risk

The company's liquidity is managed with caution, which entails that cash and cash equivalents are deposited in a bank. The company has the objective of maintaining a strong cash balance.

Other

Risks relating to regulation in the company's areas of operation

The maintenance and expansion of Ovzon's business depends on such factors as the ability to obtain required frequency licenses and authorizations in a timely manner, at reasonable costs and on satisfactory terms and conditions.

Employees

There are a number of key employees at Ovzon, who have a high level of competence and established customer relations. Ovzon is dependent on recruiting and retaining personnel capable of developing the company's technology, and establishing and maintaining relationships with core customers.

Currency risk

The Group's policy is to balance revenue and expenses as far as possible as assets and liabilities through exposure in the same currency. The Group's revenues for the satellite operation are in USD. The satellite capacity purchased on existing satellites is also in USD, as are most of the Group's operating expenses. See also Note 3 Financial risk management.

Proposed allocation of profits

The following profits are at the disposal of the Annual General Meeting (SEK)

Profit brought forward	925,029,218
Profit for the year	42,475,044
	967,504,262

The Board of Directors proposes that the following be carried forward	967,504,262

For the Group's and Parent Company's earnings and position otherwise, refer to the income statements and balance sheets, cash-flow statements and supplementary disclosures below. All amounts are expressed in thousands of Swedish kronor (TSEK) unless otherwise stated.

Consolidated financial statements

Consolidated income statement

TSEK	Note	Jan – Dec 2019	Jan – Dec 2018
Operating income, etc.			
Revenue	5	231,642	207,883
Capitalized work on own account		8,304	–
Other operating income		5,377	2,116
Operating expenses			
Purchased satellite capacity and other direct costs		-122,518	-117,211
Other external costs	7, 8	-44,623	-74,641
Employee benefit expenses	9	-47,542	-28,409
Depreciation/amortization of property, plant and equipment and intangible assets	10	-18,779	-6,225
Other operating expenses		-442	-1,048
Operating profit/loss		11,419	-17,535
Income from financial items			
Financial income	11	28,498	3,577
Financial expenses	12	-1,129	-10,679
		27,369	-7,102
Profit/loss after financial items		38,788	-24,637
Tax on the profit for the year	14	-9,558	-1,003
PROFIT/LOSS FOR THE YEAR		**29,230**	**-25,640**

TSEK	Note	Jan – Dec 2019	Jan – Dec 2018
Net profit for the year attributable to:			
Shareholders of the Parent Company		29,230	-25,640
Total profit/loss for the year		29,230	-25,640
Earnings per share and share data	15		
Earnings per share attributable to shareholders of the Parent Company, SEK[1]			
– before dilution		0.93	-3.63
Average number of shares before dilution[1]		31,515,251	7,066,488
Warrants		581,760	581,760
Average number of shares after dilution[1]		31,515,251	7,066,488
– after dilution		0.93	-3.63

1) There is no other comprehensive income to be allocated between the Parent Company's shareholders and non-controlling interests.

Consolidated statement of comprehensive income

TSEK	Note	Jan – Dec 2019	Jan – Dec 2018
Profit/loss for the year		**29,230**	**-25,640**
Other comprehensive income:			
Items that can be subsequently reclassified to the income statement:			
– Translation differences		-5,369	-9,643
Other comprehensive income net after tax		-5,369	-9,643
COMPREHENSIVE INCOME FOR THE YEAR		**23,861**	**-35,283**
Net profit for the year attributable to:			
Shareholders of the Parent Company		23,861	-35,283
COMPREHENSIVE INCOME FOR THE YEAR		**23,861**	**-35,283**

Consolidated balance sheet

TSEK	Note	dec 31, 2019	dec 31, 2018
ASSETS			
Fixed assets			
Intangible fixed assets			
Capitalized expenditure for development	16	2,672	6,052
Patents	17	438	463
		3,110	6,515
Property, plant and equipment			
Equipment, tools, fixtures and fittings	18	2,234	2,399
Right-of-use assets	19	6,945	–
Construction in progress and advance payments	20	529,858	35,613
		539,037	38,012
Financial assets			
Deposit	28	1,045	1034
Deferred tax assets		44	–
		1,089	1,034
Total fixed assets		543,236	45,561
Current assets			
Inventory, etc.			
Goods in production		15,960	5,291
		15,960	5,291
Current receivables			
Trade receivables	22	196	42
Current tax assets		1,959	–
Other receivables		2,814	2,549
Prepaid expenses and accrued income	23	70,438	542
		75,407	3,133
Cash and cash equivalents	24	257,382	77,165
Total current assets		348,749	85,589
TOTAL ASSETS		**891,985**	**131,150**

TSEK	Note	dec 31, 2019	dec 31, 2018
EQUITY AND LIABILITIES			
Equity	25		
Share capital		3,359	840
Other paid-in capital		978,517	281,846
Reserves		-784	4,585
Accumulated deficit including loss for the year		-184,796	-214,292
Equity attributable to the Parent Company's shareholders		796,296	72,979
Total equity		796,296	72,979
Non-current liabilities			
Lease liabilities	19	7,154	–
Deferred tax liabilities	14	–	1,089
		7,154	1,089
Current liabilities			
Trade payables		73,647	7,503
Liabilities to related parties		–	37,433
Current tax liabilities		–	1,679
Other liabilities		516	6,257
Accrued expenses and deferred income	27	14,372	4,210
		88,535	57,082
TOTAL EQUITY AND LIABILITIES		**891,985**	**131,150**

Consolidated statement of changes in equity

TSEK	Share capital	Other paid-in capital	Reserves	Accumulated deficit incl. profit/loss for the year	Total equity
	Equity attributable to the Parent Company's shareholders				
Equity at January 1, 2018	**500**	**53,524**	**14,228**	**-188,814**	**-120,562**
Loss for the year	–	–	–	-25,640	-25,640
Other comprehensive income	–	–	-9,643	–	-9,643
Total comprehensive income	–	–	-9,643	-25,640	-35,283
Transactions with shareholders:					
Capital contribution from principal owner	–	6,000	–	–	6,000
Rights issue	340	238,225	–	–	238,565
Costs attributable to the issue	–	-15,903	–	–	-15,903
Employee stock options	–	–	–	162	162
Total transactions with shareholders:	340	228,322	–	162	228,824
Equity at December 31, 2018	**840**	**281,846**	**4,585**	**-214,292**	**72,979**
Equity at January 1, 2019	**840**	**281,846**	**4,585**	**-214,292**	**72,979**
Profit for the year	–	–	–	29,230	29,230
Other comprehensive income	–	–	-5,369	–	-5,369
Total comprehensive income	–	–	-5,369	29,230	23,861
Transactions with shareholders:					
Rights issue	2,519	745,600	–	–	748,119
Costs attributable to the issue	–	-53,746	–	–	-53,746
Employee stock options	–	–	–	266	266
Warrants	–	4,817	–	–	4,817
Total transactions with shareholders:	2,519	696,671	–	266	699,456
Equity at December 31, 2019	**3,359**	**978,517**	**-784**	**-184,796**	**796,296**

Consolidated cash flow statement

TSEK	Note	Jan – Dec 2019	Jan – Dec 2018
Operating activities			
Operating profit/loss		11,419	-17,535
Adjustments for non-cash items	29	28,113	6,937
Interest received, etc.		2,293	1,316
Interest paid		-469	-9,684
Income tax paid		-14,329	-308
Cash flow from operating activities before changes in working capital		27,027	-19,274
Cash flow from changes in working capital			
Decrease(+)/increase(-) in inventory		-24,650	-5,291
Decrease(+)/increase(-) in trade receivables		-155	-40
Decrease (+)/increase (-) in current receivables		-64,723	6,546
Decrease (-)/increase (+) in trade payables		71,358	-9,719
Decrease (-)/increase (+) in current liabilities		768	-32,671
Total change in working capital		-17,402	-41,175
Cash flow from operating activities		9,625	-60,449

TSEK	Jan – Dec 2019	Jan – Dec 2018
Investing activities		
Acquisition of property, plant and equipment	-509,108	-11,936
Acquisition of financial assets	–	-555
Sale of financial assets	–	390
Cash flow from investing activities	-509,108	-12,101
Financing activities		
Rights issue	748,119	238,564
Issue expenses	-53,746	-15,903
Shareholders' contributions received	–	6,000
Loans raised	–	1,651
Amortization of liabilities to related parties	-39,426	-139,819
Cash flow from financing activities	654,947	90,493
Cash flow for the year	155,464	17,943
Cash and cash equivalents at the beginning of the year	77,165	49,672
Exchange rate difference in cash and cash equivalents	24,753	9,550
Cash and cash equivalents at the end of the year	257,382	77,165

Parent Company financial statements

Parent Company income statement

TSEK	Note	Jan – Dec 2019	Jan – Dec 2018
Operating income, etc.			
Net sales	5, 6	21,807	6,640
Other operating income		3,324	18
		25,131	6,658
Operating expenses			
Other external costs	7, 8	-14,549	-23,851
Employee benefit expenses	9	-8,580	-2,408
Other operating expenses		-218	-32
		-23,347	-26,291
Operating profit/loss		1,784	-19,633
Income/loss from financial items			
Other interest income and similar items	11	40,680	5,844
Interest expenses and similar items	12	–	-1,699
		40,680	5,675
Profit/loss after financial items		42,464	-13,958
Appropriations	13	–	14,000
Tax on profit for the year	14	11	-11
PROFIT FOR THE YEAR		**42,475**	**31**

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

TSEK	Note	Jan – Dec 2019	Jan – Dec 2018
Profit for the year		42,475	31
Other comprehensive income		–	–

Parent Company balance sheet

TSEK	Note	Jan – Dec 2019	Jan – Dec 2018
ASSETS			
Fixed assets			
Financial assets			
Participations in Group companies	21	26,605	1,605
Receivables from Group companies	31	695,251	–
		721,856	1,605
Total fixed assets		721,856	1,605
Current assets			
Current receivables			
Receivables from Group companies	31	–	187,574
Other receivables		1,005	968
Prepaid expenses and accrued income	23	65,632	151
		66,637	188,693
Cash and cash equivalents	24	211,070	41,774
Total current assets		277,707	230,467
TOTAL ASSETS		**999,563**	**232,072**
EQUITY AND LIABILITIES			
Equity	25		
Restricted equity			
Share capital		3,359	840
		3,359	840
Unrestricted equity			
Profit brought forward		925,029	228,326
Profit for the year		42,475	31
		967,504	228,357
Total equity		970,863	229,197
Current liabilities			
Trade payables		24,778	604
Current tax liabilities		–	13
Other liabilities		147	274
Accured expenses and deferred income	27	3,775	1,984
		28,700	**2,875**
TOTAL EQUITY AND LIABILITIES		**999,563**	**232,072**

Parent Company statement of changes in equity

TSEK	Restricted equity Share capital	Unrestricted equity Profit/loss brought forward, incl. profit/loss for the year	Total equity
Equity at January 1, 2018	**500**	**5**	**505**
Profit/loss for the year	–	31	31
Total comprehensive income	–	31	31
Transactions with shareholders:			
Rights issue	340	238,225	238,565
Issue expenses	–	-15,904	-15,904
Shareholders' contributions	–	6,000	6,000
Total transactions with shareholders	340	228,321	228,661
Equity at December 31, 2018	**840**	**228,357**	**229,197**
Equity at January 1, 2019	**840**	**228,357**	**229,197**
Profit for the year	–	42,475	42,475
Total comprehensive income	–	42,475	42,475
Transactions with shareholders:			
Rights issue	2,519	745,600	748,119
Costs attributable to the issue	–	-53,746	-53,746
Other paid-in capital	–	4,818	4,818
Total transactions with shareholders	2,519	696,672	699,191
Equity at December 31, 2019	**3,359**	**967,504**	**970,863**

Parent Company cash flow statement

TSEK	Note	Jan – Dec 2019	Jan – Dec 2018
Operating activities			
Operating profit/loss		1,784	-19,633
Interest received, etc.		40,678	–
Interest paid		–	-169
Cash flow from operating activities before changes in working capital		42,462	-19,802
Cash flow from changes in working capital			
Decrease (+)/increase (-) in current receivables		-65,518	-168,595
Decrease (-)/increase (+) in trade payables		24,174	-152
Decrease (-)/increase (+) in current liabilities		1664	-156
Total change in working capital		-39,680	-168,903
Cash flow from operating activities		2,782	-188,705

TSEK	Jan – Dec 2019	Jan – Dec 2018
Investing activities		
Shareholders' contributions received	-25,000	–
Changes in receivables in Group companies	-507,677	–
Cash flow from investing activities	-532,677	–
Financing activities		
Rights issue	748,119	238,564
Issue expenses	-53,746	-15,903
Other receivables	4,818	–
Shareholders' contributions received	–	6,000
Cash flow from financing activities	699,191	228,661
Cash flow for the year	169,296	39,956
Cash and cash equivalents at the beginning of the year	41,774	1,818
Cash and cash equivalents at the end of the year	211,070	41,774

Notes

NOTE 1 – GENERAL INFORMATION

Ovzon AB (publ) is the Parent Company of a Group that has the objective of providing broadband satellite services through its own and leased satellite capacity to customers in various parts of the world.

The Parent Company, Ovzon AB (publ), with corporate registration number 559079-2650 is a limited liability company registered in Sweden, with its head office in Solna. The address of the head office is Andertorpsvägen 10, SE-171 54 Solna, Sweden.

The operations of the Parent Company Ovzon AB (publ) comprise exclusively Group coordinating assignments and the assets comprise mainly shares and participations in Group companies, as well as transactions among Group companies.

Ovzon AB (publ.) was formed in October 2016 and acquired the subsidiaries and a number of assets from the former parent company, OverHorizon (Cyprus) Plc, in 2016 and 2017. Until the listing in May 2018, Ovzon AB (publ.) was a wholly owned subsidiary of OverHorizon (Cyprus) Plc).

Because there is no historical financial information for the Group, aggregated financial statements have been prepared and used for the 2015-2016 financial years in this Annual Report. The basis of preparation for the aggregated financial statements in accordance with IFRS is presented in Note 1 General information, and Note 2 Summary of significant accounting policies.

The Ovzon Group was founded on the basis of common control transactions. These types of transactions are not regulated by IFRS, which means that the Group is required to establish a policy. The Group has chosen to apply the policies encompassed by the definition of combined financial statements when preparing the consolidated financial statements. This means, essentially, that the assets and liabilities of the entities have been aggregated and recognized on the basis of the carrying amounts they represent in the consolidated financial statements of OverHorizon (Cyprus) PLC, and that the transactions are recognized as if they had taken place at the beginning of the earliest presented period (i.e. comparative figures have been included).

The Annual Report and consolidated financial statements were approved by the Board of Directors on March 10, 2020 and will be presented for approval at the upcoming Annual General Meeting on April 1, 2020.

NOTE 2 – SUMMARY OF IMPORTANT ACCOUNTING POLICIES

The most important accounting policies applied in the preparation of this report are presented below. These policies were applied consistently for all of the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements were prepared in accordance with the Swedish Annual Accounts Act, RFR 1 Supplementary Accounting Rules for Groups, and the International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the EU for the financial year beginning January 1, 2019. The Parent Company prepares its financial statements in accordance with the Swedish Annual Accounts Act and RFR 2, Accounting for Legal Entities.

The Group has applied a number of new standards and interpretations since January 1, 2019. None of the new standards and interpretations that the Group has applied since January 1, 2019, has resulted in any material impact on the consolidated financial statements.

The consolidated financial statements were prepared based on historical cost, meaning that assets and liabilities are recognized at these values. The functional currency for the Parent Company and the Group's reporting currency is Swedish kronor (SEK). All amounts are rounded to the nearest thousand (TSEK), unless otherwise stated. The income statement is organized by cost type. Amounts in brackets pertain to the preceding year.

Preparing financial statements in accordance with IFRS requires the application of some key estimates for accounting purposes. Further, the Board of Directors and the management are required to make certain judgments in the application of the company's accounting policies. The areas requiring a high degree of judgment, which are complex or areas in which assumptions and estimates are of material importance for the consolidated financial statements, are described in Note 4.

2.2 Standards, interpretations and amendments that entered force in 2019

As of January 1, 2019, the Group applies IFRS 16 Leases and IFRS 23 Uncertainty over Income Tax Treatments.

Leases

IFRS 16 replaced IAS 17 as of January 1, 2019. Under the new standard, an asset (regarding a right to use) and a financial liability (regarding an obligation to make lease payments) are recognised in the balance sheet. The lessee will divide the cost of the leased asset into amortization and interest payments.

Ovzon's reported assets pertain primarily to leased premises. Short-term and low-value leases have been excluded. Upon introduction of the standard on January 1, 2019 an asset and lease liability of TSEK 8,306 (current value of future lease payments) were reported.

Operating lease expenses have been replaced in the balance sheet with amortizations on the asset and interest expenses attributable to the lease liability. For this reason, operating profit will increase compared with earlier periods since a portion of the lease payments are recognized as an interest expense.

Lease payments in the cash flow statement are divided between interest paid in the operating cash flow and amortization of lease liabilities in financing operations. This therefore results in a positive effect on the operating cash flow. Ovzon has chosen to apply the simplified transition approach and therefore has not restated the comparative figures.

Uncertainty in the issue of income tax treatments

IFRIC 23 is a new interpretation of uncertainty in managing income tax as part of IAS 12 Income Taxes. IFRIC 23 is applied retroactively without restatement of comparative figures. The opening balance for 2019 will thus be restated in accordance with the new interpretation. The introduction of IFRIC 23 has not impacted the consolidated income statements or balance sheet by any significant amount.

2.3 New standards, interpretations and amendments that have been published but have not yet entered force

A number of new standards and interpretations enter force for the financial years commencing after 2019 and have not been applied in the preparation of this financial report. New standards and amendments are not deemed to have any material effect on the consolidated financial statements.

2.4 Consolidated financial statements

Group companies are consolidated as of the day the Group has control of the company according to the definitions stated under each category of Group company below. Divested Group companies are included in the consolidated financial statements until the day the Group ceases to have control or influence over these companies. Internal Group transactions have been eliminated.

Subsidiaries

Subsidiaries include all companies in which Ovzon AB (publ) has control. Control means that the Ovzon Group has the ability to control the subsidiary, is entitled to its returns and can use its influence to steer the activities that affect the returns. The financial statements are prepared on the basis of assumed values from OverHorizon (Cyprus) Plc. All of the Group's subsidiaries are wholly owned.

2.5 Segment reporting

Operating segments are reported in a manner that corresponds to the internal reporting that is submitted to the highest decision-making officer. The highest decision-making officer is the function with responsibility for the allocation of resources and assessment of the operating segment's results. In the Group, this function has been identified as the CEO. The regular internal reporting to the CEO of results that meet the criteria for constituting a segment is done for the Group in its entirety. The Group in total is therefore reported as the company's only segment.

2.6 Foreign currency translation

2.6.1 Functional and presentation currencies

Items included in the financial statements for the different entities in the Group are measured in the currency used in the economic environment where each company is predominantly active (functional currency). The Swedish krona (SEK) is used as the Parent Company's functional currency and as the presentation currency in the consolidated financial statements. The American dollar (USD) is the functional currency for the American and Cypriot subsidiaries.

2.6.2 Transactions and balance sheet items

Foreign currency transactions are translated into the functional currency according to the exchange rates applicable on the date of the transaction or the day on which the items are revalued. Exchange gains and losses, resulting from settlement of such transactions and when translating monetary assets and liabilities in foreign currency at the year-end rate, are recognized in the income statement.

2.6.3 Translation of foreign subsidiaries

When preparing consolidated accounts, the balance sheets for the Group's foreign operations are translated from their functional currency into Swedish kronor based on the exchange rate on the reporting date. The income statement and other comprehensive income are translated at the average exchange rate for the period. The translation differences that arise are recorded in other comprehensive income against the translation reserve in equity. The accumulated translation difference is removed and recognized as part of capital gain or capital loss in the event that the foreign operation is disposed of. Goodwill and fair value adjustments attributable to the acquisition of operations with a functional currency other than the Swedish krona are treated as assets and liabilities in the acquired operation's currency and translated at the year-end exchange rate on the reporting date.

2.7 Revenue

The basic principle of IFRS 15 Revenue from Contracts with Customers is that the company recognizes the revenue when the customer takes control of the good or service. The amount recognized as revenue is the remuneration the company expects to have the right to in exchange for the transfer of the service to the customer. The company's performance obligation is met over time in conjunction with the service being delivered and the transaction price comprises a relatively small share of the length of the service contract.

2.7.1 Sales of satellite services

The Group leases capacity on existing satellites, and markets and sells broadband services via this leased capacity. Revenue from sales of broadband services are recognized on a straight-line basis over the length of the contract period, which is normally six to twelve months. Contract conditions are "matched" to the widest possible extent between leased and sold capacity.

2.7.2 Other operating income

Other operating income consists primarily of internally capitalized development work and onward invoicing of expenses carried on behalf of OverHorizon (Cyprus) PLC, which formerly owned 100 percent of the company.

2.7.3 Financial income and expenses

Financial income primarily comprises interest income on cash and cash equivalents and the translation of intra-Group loans. Financial expenses comprise interest expenses and translation of intra-Group loans.

2.8 Government support

During the preceding year, the Swedish National Space Agency decided to support Ovzon's technical development through grant funding of approximately SEK 10 million. This support is recognized in accordance with IAS 20 when there is reasonable certainty that the Group will meet the conditions associated with the contribution and that the contribution will be received.

The support is related to the investment and development of assets. The support is recognized as deferred income until there is matching capitalization, at which point the asset's carrying amount is reduced by the amount of the grant. The grant is recognized in earnings during the depreciable asset's useful life, in the form of reduced depreciation.

2.9 Leases

IFRS 16 replaced IAS 17 as of January 1, 2019. Under the new standard, the company recognized an asset (regarding a right to use) and a financial liability (regarding an obligation to make lease payments) in the balance sheet. The company further divided the cost of the leased asset into amortization and interest payments. Refer further to Note 2.2 for additional information.

2.10 Employee benefits

Salaries, national insurance contributions, bonuses and other current remuneration to employees are recognized when the employee has performed the service. The Group has only defined-contribution pension plans. For these, the Group pays contributions to privately managed pension insurance plans on a compulsory, contractual or voluntary basis. The Group has no further payment obligations after the contributions have been paid. The contributions are recognized as personnel expenses when they fall due for payment.

In 2018, the company issued warrants for employees in Sweden and employee options for employees in the United States. The options under the warrants program were transferred to employees on market terms. On the acquisition of warrants by the employee, the payment received is booked against other paid-in capital. When the options are exercised, the share capital increases by the par value of each newly issued share and the associated surplus price is added to the other paid-in capital. The options under the Employee Option Program were transferred at no charge to employees and are recognized in

accordance with IFRS 2 and UFR7. The fair value of the allotted options is recognized as an employee expense with a corresponding increase in equity. The fair value is calculated at the time of allotment and distributed across the vesting period (three years). Since the employee options are deemed to qualify as incentive stock options, they are not deemed to incur any costs in the form of national insurance contributions.

2.11 Taxes

Tax for the period comprises current tax and, when applicable, deferred tax. Taxes are recognized in the income statement except when the underlying transaction is recognized in other comprehensive income or directly in equity, in which case the associated tax effect is also recognized under the same item.

Current tax is the tax calculated on the taxable earnings for the period. The taxable profit (tax loss) differs from the accounting profit because of adjustments for non-taxable and non-deductible items. Current tax is the tax paid or recovered for the current year, adjusted for any current tax attributable to prior periods.

Deferred tax is recognized according to the balance sheet method, whereby deferred tax liabilities are recognized in the balance sheet for all temporary differences that arise between the carrying amount and tax base of assets and liabilities. However, deferred tax is not recognized if the temporary difference has arisen on initial recognition of assets and liabilities that constitute the acquisition of an asset. A deferred tax asset for deductible temporary differences and losses carried forward is recognized only to the extent that it is probable that the amount can be utilized against future taxable profit. Deferred tax is calculated in accordance with statutory tax rates that have been enacted or announced at the balance sheet date and are expected to apply when the deferred tax asset in question is realized or the deferred tax liability settled.

In 2017, a new interpretation regarding recognition of income taxes, IFRIC 23, was issued. The statement clarifies how doubtful tax items are to be recognized and measured. The company applies IFRIC 23 as of January 1, 2019. The modified retroactive application means that comparative figures have not been restated. The introduction of IFRIC 23 has not impacted the consolidated income statements or balance sheet by any significant amount.

2.12 Intangible assets

An intangible asset is recognized in the balance sheet when it is probable that the future economic benefits that are attributable to the asset will flow to the Group and when value of the asset can be measured reliably. Development costs are capitalized and recognized in the balance sheet as intangible assets if the criteria for recognition in the balance sheet in accordance with IAS 38 Intangible Assets have been satisfied.

Research and development

Expenses for research are expensed immediately and consist exclusively of direct costs. Expenses relating to development projects (attributable to the design and testing of new or improved products) are carried forward as intangible assets to the extent that these expenses are expected to generate future financial benefits. Since the basic technology development is completed, the company is of the opinion that future development expenses will be mainly expensed and that, accordingly, only a small part will be capitalized. Development costs expensed earlier are not brought forward as an asset in subsequent periods. Development costs brought forward are amortized straight line over the period that the anticipated benefits are expected to accrue to the company and from the time that commercial production commences.

In the consolidated balance sheet, capitalized development expenses are recognized at cost less accumulated amortization and impairment. The amortization period is based on the estimated period in use, which for development is four years.

Patents, trademarks and licenses

Patents, trademarks and licenses acquired separately are recognized at cost. Patents, trademarks and licenses acquired through a business combination are recognized at their fair value at the acquisition date. Patents, trademarks and licenses have a finite useful life and are recognized at cost less accumulated amortization. Amortization is carried out on a straight-line basis to allocate the cost of patents, trademarks and licenses over their estimated useful life of 15 years.

2.13 Property, plant and equipment

Property, plant and equipment are recognized at cost less a deduction for accumulated depreciation and impairment losses. The cost includes expenses directly attributable to the acquisition of the asset. Subsequent costs are only added to the asset's carrying value or recognized as a separate asset when it is probable that the future economic benefits associated with the asset will benefit the Group and the cost of the asset can be measured reliably. The carrying amount for the replaced portion is derecognized from the balance sheet. All other forms of repair and maintenance are recognized as expenses in the income statement in the period in which they arise.

Depreciation of property, plant and equipment is recognized as a cost so that the value of the asset is depreciated on a straight-line basis over its assessed useful life. The following depreciation schedule applies:

Equipment, tools, fixtures and fittings 3–5 years

The assets' residual values and useful lives are assessed at the end of each reporting period and adjusted when necessary.

The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset exceeds its assessed recoverable amount.

Gains and losses on disposal are determined by comparing sale proceeds with the carrying amount and are reported on a net basis in the income statement.

Accounting policies regarding ongoing investments and advance payments

Ongoing investments regarding the company's first proprietary satellite are assessed as direct internal and external expenses directly attributable to getting the satellite into a usable condition in accordance with the intentions of Executive Management.

The company has signed an agreement with Maxar Technology for the construction of a satellite. While the supplier of the satellite is carrying out their side of the agreement, the company has its own expenses for its part of the work. An integrated part of this project is that the company finances the project in pace with its progress. This means that for a certain amount of time, the financing is an advance payment that then transitions into being the ongoing satellite project. Since this is such an integrated project regarded by the company as a project, the company has chosen to recognize the project in an integrated item designated in the balance sheet as Construction in progress and advance payments.

Borrowing expenses during construction are capitalized as part of the cost. The capitalized borrowing expenses are based on the specific borrowing by the Group for the investment, and are described in Note 2.21.

2.14 Impairment of non-financial assets

Intangible assets with an indefinite useful life or intangible assets not yet available for use are not amortized but are tested for impairment annually. Assets that are amortized are considered with regard to 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. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.15 Financial instruments

Financial assets recognized in the balance sheet include – on the asset side – loans, trade receivables and cash and cash equivalents. On the liability side, there are non-current and current loans, together with trade payables. The Group does not hold any derivative instruments. A financial asset or liability is entered in the balance sheet when the Group becomes a party to the contractual terms and conditions. Trade receivables are included when an invoice has been sent and trade payables when an invoice has been received. Besides cash and cash equivalents, only an insignificant portion of the financial assets are interest-bearing, for which reason no statement has been made in respect of interest rate exposure. The maximum credit risk corresponds to the carrying amount of financial assets. Conditions for non-current and current loans are shown as a separate disclosure; other financial liabilities are not interest-bearing. A financial asset, or portion thereof, is recognized when the rights under the agreement have been realized or have expired. A financial liability, or portion thereof, is recognized when it has been settled, when the obligation under the agreement has been performed or ceases in some other way. On each balance sheet date, the Group evaluates whether a financial asset or group of financial assets are in need of impairment due to anticipated credit losses.

The categories are presented in Note 30 Supplementary disclosures, financial assets and liabilities. Financial assets and liabilities are only offset and reported at a net amount in the balance sheet when there is a legally enforceable right to set off the recognized amounts and an intention to settle them on a net basis or to realize the asset and settle the liability simultaneously.

2.16 Inventory

During the year, the manufacture of terminals has resulted in components and finished terminals being held in stock.

The inventory is measured at the lowest of cost and net sales value. The cost is calculated according to the weighted average prices and includes fees that arise on the acquisition of inventory assets and their transport to their current place and state. The net realizable value is defined as sales price less costs of production and sales costs.

2.17 Trade receivables and other receivables

Trade receivables are recorded on a net basis after making provision for expected bad debt losses. The expected life of trade receivables is short, for which reason the value is recognized at a nominal amount on an undiscounted basis in accordance with the amortized cost method. A reserve is made for expected bad debt losses for trade receivables when there are objective grounds to assume that the Group may not receive all amounts due under the original terms and conditions for the receivables. The size of the reserve comprises the difference between the asset's carrying amount and the value of assessed future cash flows. The sum set aside is recognized in the income statement.

2.18 Cash and cash equivalents

Cash and cash equivalents include cash, bank balances and, when applicable, other current financial investments due within three months. Cash and cash equivalents are recognized at their nominal amount.

2.19 Equity

Equity in the Group comprises the following items:

- Share capital - represents the par value of issued and registered shares.
- Other paid-in capital - contributions that the company has received from its shareholders and that are not recognized as share capital.
- Reserves - comprises exchange differences referable to translation of foreign subsidiaries.
- Accumulated deficit, incl. profit/loss for the year - corresponds to the accumulated profits and losses generated in total in the Group.

Transaction costs directly referable to an issue of new shares or options are recognized in equity, net of tax, as a reduction in the proceeds.

The costs for employee options allotted in 2018 are expensed straight line across the vesting period and recognized against equity in accordance with IFRS 2.

2.20 Provisions

A provision differs from other liabilities as there is uncertainty regarding the time of payment or the size of the amount for the settlement of the provision. A provision is recognized in the statement of financial position when there is an existing legal or informal obligation as a result of an event that has occurred, and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate of the amount can be made.

2.21 Borrowing

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowing is subsequently recorded at amortized cost and any difference between the amount received (net of transaction costs) and the amount repaid is recognized in the income statement distributed over the period of the loan, applying the effective interest method. Borrowing is classified as current liabilities unless the Group has an unconditional right to postpone payment of the liability by at least 12 months after the balance sheet date.

Borrowing costs directly attributable to the acquisition, construction or manufacture of a qualifying asset are capitalized during the period of time required for completing and preparing the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they arise and are recognized under Finance costs (refer to Note 12).

Transaction costs paid before loans are raised are recognized as prepaid costs, and recognized against the loan when the loan is realized, in accordance with IFRS 9. Transaction costs are subsequently included as part of the effective interest rate.

2.22 Trade payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. Trade payables are categorized as other financial liabilities. As the maturities of trade payables are expected to be short, the value is reported at a nominal amount.

2.23 Contingent liabilities

A contingent liability is recognized when there is a possible obligation caused by an event or a future uncertainty that is not recognized as a liability or provision, since an outflow of resources is not probable, does not happen or an existing obligation resulting from an event, but which is not recognized as a liability or provision.

2.24 Cash flow statement

Cash flow statements are prepared in accordance with the indirect method. This means that cash flow from operating activities is recognized by adjusting profit or loss for the effects of transactions of a non-cash nature and also for revenue and expenses associated with the cash flows from investing or financing activities.

2.25 Parent Company accounting policies General

The Parent Company has prepared this Annual Report in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The statements issued by the Swedish Financial Reporting Board also apply to listed companies. RFR 2 entails that, in the annual report of the legal entity, the Parent Company is to apply all IFRS and statements adopted by the EU as far as possible within the framework of the Annual Accounts Act and in regard to the connection between accounting and taxation. The recommendation states the exceptions and additions that are to be made to IFRS.

Accordingly, the Parent Company applies the policies presented in Note 2 of the consolidated financial statements above, with the exception of what is stated below. The policies are applied consistently for all years presented, unless otherwise stated.

Classification and structures
The Parent Company's income statement and balance sheet follow the Annual Accounts Act in their structure. The differences compared with IAS 1 Presentation of Financial Statements, applied in the presentation of the Group's financial statements, mainly pertain to the recognition of financial income and expenses, fixed assets, equity and the recognition of provisions under a separate heading in the balance sheet.

Participations in Group companies
Participations in Group companies are recognized in the Parent Company in accordance with the cost method. Acquisition-related costs for Group companies, which are expensed in the consolidated financial statements, are included as part of the cost of shares in Group companies.

Group contributions and shareholder contributions for legal entities
The Parent Company recognizes Group contributions and shareholder contributions in accordance with statement RFR2 from the Swedish Financial Reporting Board. Group contributions are recognized as appropriations. In the Parent Company, shareholder contributions are capitalized as shares and participations. Impairment testing is also made as required of shareholder contributions together with other holdings in the receiving company.

Leases
All leases are recognized in the Parent Company in accordance with the regulations for operating leases. Lease payments made under operating lease agreements are expensed on a straight-line basis over the term of the lease.

NOTE 3 – FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors
The Group is exposed to various financial risks through its activities. The overall objective of financial risk management is to minimize the risks of an adverse effect on the Group's result.

3.1.1 Liquidity risk
'Liquidity risk' means a situation where cash and cash equivalents cannot be ensured to pay for obligations. The Group's liquidity reserve shall provide freedom of action to implement decided investments and fulfill payment obligations. Liquidity forecasts are updated on an ongoing basis and the Group management actively monitors the liquidity situation so that liquidity risks can be attended to in a timely fashion.

3.1.2 Financing risk
'Financing risk' corresponds to potential difficulties in obtaining financing for activities at a given time. In addition, there is a risk that the Group will be unable to comply with the conditions that the credit facilities impose, which could be due to circumstances both within and outside the company's control. The company's inability to comply with the terms of its credit agreements could result in the creditor demanding repayment of all or a portion of the Group's outstanding debts, which in turn could have a significant negative impact on the Group's operations, financial position and earnings.

The Group actively works to achieve a low refinancing risk in relation to market pricing, i.e. the best possible net financial income/expense within given risk frames. The refinancing risk is limited as the Group always plans ahead during refinancing negotiations. The Group endeavors to obtain loan commitments for all major investments to minimize financing risk. The Board of Directors determines the ongoing level of capital tied up in the loan portfolio. The management prepares ongoing forecasts for the Group's terms of credit and liquidity on the basis of expected cash flows.

3.1.3 Interest rate risk
'Interest rate risk' means the risk of changes in the market rate of interest having an adverse effect on the Group's net interest income/expense. The Group's revenue and cash flows from its operation are basically independent of changes in market rates of interest as the Group has no significant interest-bearing assets. The Group's interest rate risk arises through non-current borrowing. Fixed interest borrowing exposes the Group to interest rate risk in terms of fair value. The Group management continually monitors interest rate changes and acts accordingly.

3.1.4 Credit and counterparty risk
The Group's financial transactions give rise to credit risks with respect to financial counterparties. 'Credit and counterparty risk' means the risk of losses if a counterparty does not perform its obligations.

The company is required to make significant advance payments in conjunction with the procurement and planning of satellites. Agreements signed by the company concern nominally large amounts and advance payments can thus be substantial. Advance payments expose the company to a credit risk comprising the risk that the agreement is not completed and that any advance payments cannot therefore be recouped. If the company cannot recoup the advance payments made, it could have a significant negative impact on the Group's operations, financial position and earnings.

The Group endeavors to work primarily with established customers with a documented capacity to pay and competitive operations. The suppliers in the Ovzon 3 project are closely monitored, and in several cases external financial information is supplemented by meetings with representatives from the supplier where their financial status is also addressed.

3.1.5 Currency risk
'Currency risk' means the risk of an impact on the Group's performance and financial position as a consequence of changes in exchange rates. Currency risk arises through future business transactions, reported assets and liabilities and also net investments in foreign operations. Group management continually monitors changes in exchange rates and acts accordingly.

The Group's operations are mainly conducted in the US and Sweden, as well as to a lesser extent in Cyprus. The sale of satellite services is made in its entirety in USD. Associated capacity costs are also in USD. Of the other operating expenses, excluding depreciation/amortization, approximately 45 percent occurs in USD and approximately 55 percent in SEK. Purchases in EUR occur to a minor extent. As a comparison, it can be said that if the USD/SEK had been an average of 10 percent lower in 2019, sales would have declined to the same extent and operating profit would have declined by approximately 65 percent.

Ovzon's net financial liabilities in USD amounted to TSEK 0 (0). It should be noted, however, that unutilized credit facilities of USD 60 million and SEK 200 million were signed in 2019.

3.1.6 Terms of loans
The terms of loans are shown in Note 26 Borrowing.

3.2 Operating risks and external risks
The most important operating risks and external risks are attributable to competition and commercial success and also dependency on key personnel, cooperating partners and individual major customers. Furthermore, Ovzon is dependent on access to satellite capacity provided by a third party. Ovzon's services are sold both directly and indirectly to end users.

3.3 Sensitivity analysis
No further analysis has been prepared besides the sensitivity analysis above regarding currency risk.

3.4 Asset management
The Group's objective in respect of its capital structure is to secure the Group's ability to continue its operations so that it can continue to generate returns for shareholders while creating benefits for other stakeholders, and to maintain an optimal capital structure as a means of reducing the cost of capital. To maintain or adjust its capital structure, the Group may decide to change the dividend paid to shareholders, repay capital to its shareholders, issue new shares or sell assets to reduce its liabilities. In the same way as other companies in the industry, the Group assesses its capital on the basis of the debt/equity ratio. This performance measure is calculated as net liability divided by capital employed. Net liability is measured as total borrowing (including the items Current borrowing and Non-current borrowing in the consolidated balance sheet) less cash and cash equivalents. Capital employed is measured as Equity in the consolidated balance sheet plus the net liability.

NOTE 4 – IMPORTANT ESTIMATES AND ASSESSMENTS FOR ACCOUNTING PURPOSES

The management must make assessments and assumptions in order to prepare accounts in accordance with generally accepted accounting principles. These affect reported asset and liability items and income and expense items and also information otherwise provided. These assessments are based on experience and assumptions that the management and Board of Directors consider to be reasonable under the prevailing circumstances. The actual outcome may deviate from these estimates and assessments. Changes in estimates are recognized in the period in which the change is made if the change only affects that period, or the period in which the change is made and future periods if the change impacts the current period and future periods. The assessments that are most important when preparing the financial statements are described below.

4.1 Important assessments of the management

4.1.1 Assumption that the business is a going concern

The Group strengthened its capital base substantially in 2018 and 2019 through several rights issues, which the management deems will ensure continued operation.

4.2 Uncertainty in accounting estimates

The estimates and assumptions that could entail a risk for adjustments to the carrying amounts of assets and liabilities in the next financial years are:

- Useful life of tangible and intangible assets.
- Ability to comply with creditors' terms for financing of the ongoing satellite construction.
- Provision for income tax and measurement of deferred tax assets.

NOTE 5 – BREAKDOWN OF NET SALES

	Group		Parent Company	
Business segment	**2019**	**2018**	**2019**	**2018**
Satellite services				
USA	231,642	207,883	–	–
Cyprus	–	–	–	–
	231,642	**207,883**	**–**	**–**
Management services				
Sweden	–	–	2,540	2,540
USA	–	–	17,607	2,820
Cyprus	–	–	1,660	1,280
	–	**–**	**21,807**	**6,640**

The Group is dependent on a few customers, one of which accounts for 90 percent of the Group's revenue. The Group's revenues are received entirely in USD.

Total current assets by geographic market

	Dec 31, 2019	Dec 31, 2018
Sweden	397,544	27,801
Cyprus	3,196	6,759
USA	142,496	11,001
Total	**543,236**	**45,561**

NOTE 6 – DISCLOSURES ON INTRA-GROUP PURCHASES AND SALES, ETC.

Parent Company	**2019**	**2018**
Purchases, %	16	10
Sales, %	94	85

Pertains to the share of the Parent Company's revenue and external costs, respectively, managed within the Group.

NOTE 7 – INFORMATION ON CHARGES FOR OPERATING LEASES, ETC.

Operating leases – costs for the year

	Group		Parent Company	
	2019	**2018**	**2019**	**2018**
For leased premises	–	816	–	–
License fees for satellite services	–	615	–	–
	–	**1,431**	**–**	**–**

The Group's non-cancellable leases basically relate to an annual license fee for allocation of satellite services.

	Group		Parent Company	
	2019	**2018**	**2019**	**2018**
<1 year	–	2,019	–	–
2–5 years	–	8,892	–	–
>5 years	–	11,061	–	–
	–	**21,972**	**–**	**–**

Other commitments

Up through the end of 2018, operating leases in the Group's reporting consisted essentially of leased premises where the Group operates and an administrative fee for a frequency license allocated to Cyprus. The frequency license agreement is valid until July 2040. As of January 1, 2019, leases for the Group are instead recognized in accordance with IFRS 16 Leases. For additional information, refer to Note 2 Summary of important accounting principles and Note 19 Leases.

NOTE 8 – INFORMATION ABOUT AUDITOR'S REMUNERATION AND REIMBURSEMENT OF EXPENSES

	Group		Parent Company	
Business segment	**2019**	**2018**	**2019**	**2018**
Grant Thornton				
– audit engagements	763	628	581	528
– auditing work in addition to audit engagements	214	974	214	974
– tax consultancy	55	294	50	294
– other services	56	1,321	56	1,321
Total	**1,088**	**3,217**	**901**	**3,117**

The term audit engagement pertains to the auditors' work on the statutory audit and various types of auditing of quality assurance services. Other services are those not included in the audit engagements, audit business or tax consultancy.

NOTE 9 – AVERAGE NUMBER OF EMPLOYEES, WAGES AND SALARIES, OTHER REMUNERATION AND PAYROLL OVERHEADS

	Group		Parent Company	
Average nr. of employees	**2019**	**2018**	**2019**	**2018**
Women	3	2	–	–
Men	19	14	2	1
Total	**22**	**16**	**2**	**1**

	Group		Parent Company	
Average nr. of employees	**2019**	**2018**	**2019**	**2018**
Sweden	13	10	2	1
USA	9	6	–	–
Total	**22**	**16**	**2**	**1**

Gender breakdown in Board of directors and company management	Group		Parent Company	
	2019	**2018**	**2019**	**2018**
Number of Board members	5	6	5	6
– of which, women	(–)	(–)	(–)	(–)
Number of senior executives in the company incl. CEO	7	7	2	2
– of which, women	(–)	(–)	(–)	(–)

	2019			2018		
Salaries and remuneration amount to:	**Board of Directors and CEO** *(of which bonuses)*	**Other employees**	**Total**	**Board of Directors and CEO** *(of which bonuses)*	**Other employees**	**Total**
Parent Company	600	4,687	5,287	1,600	547	2,147
	(–)		*(–)*	*(–)*		*(–)*
Subsidiaries						
Sweden	1,376	8,646	10,022	3,540	4,939	8,479
USA	9,655	8,410	18,065	6,389	5,018	11,407
Total remuneration subsidiaries	11,031	17,056	28,087	9,929	9,957	19,886
	(–)		*(–)*	*(2,130)*		*(2,130)*
Statutory and contractual national insurance costs:						
– Parent Company	189	1,689	1,878	503	172	675
– Subsidiaries	877	3,801	4,678	1,334	1,794	3,128
Pension expenses:						
– Parent Company	–	893	893	175	92	267
– Subsidiaries	397	2,647	3,044	1,083	983	2,066
Total social contributions and pensions	1,463	9,030	10,493	3,095	3,041	6,136
Group total	**13,094**	**30,773**	**43,867**	**14,624**	**13,545**	**28,169**

Pensions

The company and Group have no outstanding pension commitments in addition to pension liabilities. Premiums for pension insurance must correspond primarily to the supplementary pensions for salaried employees (ITP) plan. However, the American subsidiary, OverHorizon LLC, pays premiums under a defined-benefit plan.

Remuneration to senior executives

Board members Lennart Hällkvist, Nicklas Paulson, Magnus René and Patrik Tigerschiöld were re-elected at the 2019 AGM. Anders Björkman was elected the new Chairman of the Board. Board fees were paid according to the table below. Magnus René, the company's CEO, who succeeded Per Wahlberg on May 6, 2019 and is employed in the subsidiary OverHorizon LLC, has an annual salary of TUSD 426 and an initial term of employment of 18 months up until October 31, 2020. Variable remuneration to the company's CEO for 2019 of TUSD 88 has been reserved as of the balance sheet date. The CEO has the right to a pension and insurance equivalent to a 401k, but no other benefits are paid in addition to this. For the other five (five) senior executives of the company, one (one) of whom is hired in through companies, remuneration is paid on market terms.

2019 Remuneration to senior executives	**Basic salary / invoiced fees**	**Variable remuneration**	**Board of Directors fees**	**Other benefits**	**Pension cost**	**Total**
Magnus René, CEO/Board member	2,687	833	–	–	142	3,662
Anders Björkman, Chairman.	–	–	300	–	–	300
Nicklas Paulson, Board member	–	–	150	–	–	150
Lennart Hällkvist, Board member	1,301	–	75	–	–	1,376
Patrik Tigerschiöld, Board member	–	–	150	–	–	150
Other senior executives (6)	12,278	2,925	–	–	1,386	16,589
Total	**16,266**	**3,758**	**675**	**–**	**1,528**	**22,227**

2018 Remuneration to senior executives	Basic salary / invoiced fees	Variable remuneration	Board of Directors fees	Other benefits	Pension cost	Total
Per Wahlberg, CEO/Board Member	1,650	–	–	–	375	2,025
Lennart Hällkvist, Chairman	1,590	–	250	–	452	2,292
Kennet Lejnell, Board Member	1,149	–	–	–	212	1,361
Peter Näslund, Board member	–	–	125	–	–	125
Nicklas Paulson, Board member	–	–	125	–	–	125
Magnus René, Board member	–	–	125	–	–	125
Patrik Tigerschiöld, Board member	–	–	125	–	–	125
Other senior executives (4)	9,543	2,130	–	–	312	11,985
Total	**13,932**	**2,130**	**750**	**–**	**1,351**	**18,162**

Share-based remuneration

An Extraordinary General Meeting on May 9, 2018 resolved on the warrants program 2018/2021 and the incentive stock option program 2018/2021. The Meeting resolved to issue a maximum of 226,962 warrants (under the warrants program) to the company's employees in Sweden and 200,000 options (under the incentive stock option program) to the company's employees in the US. If all options and warrants allotted are used in the programs, a dilution of 1.7 percent of the shares and votes in the company will occur. The period of use for all warrants runs from May 15, 2021 until June 15, 2021 (a tenor of 3.1 years).

Option program 2018/2021 – Group	2019	2018
Warrants allotted in Sweden	145,000	145,000
Incentive stock options allotted in the US	143,000	143,000
Value per option at allocation, Black & Scholes model (SEK)	5.63	5.63
Subscription rights (Number of shares per option)*	2.02	1
Subscription price (SEK)*	59.41	120
IFRS 2 Costs of incentive stock options in the USA for the period (TSEK)	226	162

* Following the rights issue in January 2019, the terms for the warrants program and the incentive stock options program were restated. The options provide entitlement to subscribe for 2.02 new shares in the company at a price of SEK 59.41 per share.

Pension liabilities including special payroll tax	Dec 31, 2019	Dec 31, 2018
Per Wahlberg and Lennart Hällkvist, total	–	714
Carrying amount	**–**	**714**

NOTE 10 – DEPRECIATION/AMORTIZATION OF PROPERTY, PLANT EQUIPMENT AND INTANGIBLE FIXED ASSETS

	Group		Parent Company	
Business segment	**2019**	**2018**	**2019**	**2018**
Amortization and impairment of intangible fixed assets:	-3,728	-5,439	–	–
Depreciation of leased fixed assets:	-1,544	–	–	–
Depreciation of property, plant and equipment:	-13,507	-786	–	–
Total	**-18,779**	**-6,225**	**–**	**–**

NOTE 11 – FINANCIAL INCOME

	Group		Parent Company	
	2019	**2018**	**2019**	**2018**
Exchange gains	26,215	2,261	24,532	2,270
Interest income	2,283	1,316	16,148	3,574
Total	**28,498**	**3,577**	**40,680**	**5,844**

NOTE 12 – FINANCIAL EXPENSES

	Group		Parent Company	
	2019	**2018**	**2019**	**2018**
Interest expenses	-773	-10,679	–	-169
Interest expenses, IFRS 16, leased assets	-356	–	–	–
Total	**-1,129**	**-10,679**	**–**	**-169**

NOTE 13 – APPROPRIATIONS

Parent Company	2019	2018
Group contributions received	–	14,000
Total	**–**	**14,000**

NOTE 14 – TAX ON PROFIT FOR THE YEAR

	Group		Parent Company	
Business segment	**2019**	**2018**	**2019**	**2018**
The following components are included in the tax expense:				
Current tax	-10,692	-1,202	11	-11
Temporary differences	45	–	–	–
Untaxed reserves	1,089	199	–	–
Tax reported	**-9,558**	**-1,003**	**11**	**-11**
Recognized profit/loss before tax	38,788	-24,637	42,464	42
Tax under applicable tax rate	-8,301	5,511	-9,087	-9
Tax effect of:				
Deductible expenses recognized against equity	11,502	–	11,502	–
Other deductible expenses not in recognised earnings	1,503	–	1,503	–
Adjustment of tax from prior years	11	-1,191	11	–
Non-deductible expenses	-7,598	–	-46	–
Effect attributable to other tax rates in subsidiaries	-343	–	–	–
Effect of uncapitalized loss carry forwards, net	-6,332	-5,323	-3,872	-2
Tax reported	**-9,558**	**-1,003**	**11**	**-11**

The Group companies operate in different countries and are thus subject to different income tax rates, which are as follows:

	2019	2018
Cyprus, %	12.5	12.5
Sweden, %	21.4	22.0
USA, %	21	21

At the end of the financial year, there were saved tax loss carry forwards totaling TSEK 74,590 (66,240) in the Group. The following table indicates the losses carried forward broken down by country (amounts in TSEK):

	Dec 31, 2019	Dec 31, 2018
Cyprus	31,549	60,392
Sweden	43,041	–
USA	–	5,848

There is a time limit of five years for the loss carry forwards in Cyprus and time limit of 20 years for the loss carry forwards in the USA. There is no time limit for the loss carry forwards in Sweden. Based on the Group's financial situation, no value has been set aside in the balance sheet for a deferred tax asset on saved loss carry forwards.

	Group		Parent Company	
Deferred tax liabilities	**Dec 31, 2018**	**Dec 31, 2018**	**Dec 31, 2019**	**Dec 31, 2018**
Temporary differences in:				
– Untaxed reserves	–	1089	–	–
Tax reported	**–**	**1,089**	**–**	**–**
Opening balance	1,089	1,288	–	–
Change for the year in profit or loss, net	-1089	-199	–	–
Closing carrying amount	**–**	**1,089**	**–**	**–**

NOTE 15 – EARNINGS PER SHARE AND SHARE DATA

	2019	2018
Earnings attributable to Parent Company shareholders, TSEK	29,230	-25,640
Earnings per share attributable to Parent Company shareholders, SEK	0.93	-3.63
Earnings per share attributable to Parent Company shareholders after dilution, SEK	0.93	-3.63
Average number of shares before dilution	31,515,251	7,066,488
Average number of shares after dilution	31,515,251	7,066,488
Total number of shares issued	33,585,596	8,396,399
Number of shares outstanding at the balance date after dilution	34,167,356	8,978,159

NOTE 16 – CAPITALIZED EXPENDITUREFOR DEVELOPMENT

	Group		Parent Company	
	Dec 31, 2019	**Dec 31, 2018**	**Dec 31, 2019**	**Dec 31, 2018**
Cost, opening balance	22,306	20,431	–	–
Exchange difference	879	1,875	–	–
Accumulated cost, closing balance	**23,185**	**22,306**	**–**	**–**
Amortization, opening balance	-16,254	-9,798	–	–
Exchange difference	-574	-1,056	–	–
Amortization for the year	-3,685	-5,400	–	–
Accumulated cost, closing balance	**-20,513**	**-16,254**	**–**	**–**
Carrying amount, closing balance	**2,672**	**6,052**	**–**	**–**

NOTE 17 – PATENTS

	Group		Parent Company	
	Dec 31, 2019	**Dec 31, 2018**	**Dec 31, 2019**	**Dec 31, 2018**
Cost, opening balance	567	521	–	–
Exchange difference	22	46	–	–
Accumulated cost, closing balance	**589**	**567**	**–**	**–**
Amortization, opening balance	-104	-59	–	–
Exchange difference	-4	-6	–	–
Depreciation for the year	-43	-39	–	–
Accumulated cost, closing balance	**-151**	**-104**	**–**	**–**
Carrying amount, closing balance	**438**	**463**	**–**	**–**

NOTE 18 – EQUIPMENT, TOOLS, FIXTURES AND FITTINGS

	Group		Parent Company	
	Dec 31, 2019	**Dec 31, 2018**	**Dec 31, 2019**	**Dec 31, 2018**
Cost, opening balance	3,698	2,264	–	–
Purchases	977	1,216	–	–
Sales/disposals	–	–	–	–
Exchange difference	100	218	–	–
Accumulated cost, closing balance	**4,775**	**3,698**	**–**	**–**
Depreciation, opening balance	-1,299	-449	–	–
Sales/disposals	–	–	–	–
Exchange difference	-33	-64	–	–
Depreciation for the year	-1,209	-786	–	–
Accumulated cost, closing balance	**-2,541**	**-1,299**	**–**	**–**
Carrying amount, closing balance	**2,234**	**2,399**	**–**	**–**

NOTE 19 – LEASES

Right-of-use assets

	Group		Parent Company	
	Dec 31, 2019	**Dec 31, 2018**	**Dec 31, 2019**	**Dec 31, 2018**
Carrying amount at beginning of year	0	–	–	–
Under IFRS 16, January 1	8,306	–	–	–
Exchange difference	182	–	–	–
Accumulated cost, closing balance	**8,488**	**–**	**–**	**–**
Amortization, opening balance	0	–	–	–
Amortization for the year	-1,543	–	–	–
Accumulated cost, closing balance	**-1,543**	**–**	**–**	**–**
Closing carrying amount	**6,945**	**–**	**–**	**–**

Lease liabilities

	Group		Parent Company	
	Dec 31, 2019	**Dec 31, 2018**	**Dec 31, 2019**	**Dec 31, 2018**
Short-term	1,411	–	–	–
Long-term	5,743	–	–	–
Closing carrying amount	**7,154**	**–**	**–**	**–**

In previous years, operating leases were recognized as an expense under Other expenses.

Explanation of transition to IFRS 16 from reporting in profit or loss

Commitments for operating leases at December 31, 2018 (Note 7)	21,972
Discounted using the Group's incremental borrowing rate of 4.5%	-1,101
Exchange rate effect	157
Add:	
Adjustments relating to changes in the index or rate affecting variable payments	509
Less:	
Contracts reassessed as service agreements	-13,231
Lease liability recognised as at 1 January 2019	8,306

NOTE 20 – CONSTRUCTION IN PROGRESS AND ADVANCE PAYMENTS

	Group		Parent Company	
	Dec 31, 2019	**Dec 31, 2018**	**Dec 31, 2019**	**Dec 31, 2018**
Cost, opening balance	35,613	24,595	–	–
Purchases	508,131	11,018	–	–
Exchange difference	-1,588	–	–	–
Accumulated cost, closing balance	**542,156**	**35,613**	**–**	**–**
Amortization for the year	-12,298	–	–	–
Accumulated amortization, closing balance	**-12,298**	**–**	**–**	**–**
Carrying amount, closing balance	**529,858**	**35,613**	**–**	**–**

In 2015, OverHorizon AB signed an agreement with Orbital Sciences Corporation concerning the acquisition of a communications satellite, including associated ground equipment, support and training. Advance payments made and work performed is usable only to a certain extent in the Ovzon 3 project, which is why in the second quarter of 2019 the company impaired advance payments of TSEK 12,297 previously made.

NOTE 21 – PARTCIPATIONS IN GROUP COMPANIES

	Group		Parent Company	
	Dec 31, 2019	**Dec 31, 2018**	**Dec 31, 2019**	**Dec 31, 2018**
Cost, opening balance	–	–	1,605	305
Shareholders' contributions	–	–	25,000	1,300
Accumulated cost, closing balance	**–**	**–**	**26,605**	**1,605**
Carrying amount, closing balance	**–**	**–**	**26,605**	**1,605**

Directly owned subsidiaries

Company name	Number of votes	Votes/Shares of capital, %	Carrying amount Dec 31, 2019	Carrying amount Dec 31, 2018
OverHorizon AB	1 000	100	26,535	1,535
OverHorizon OHO 1 Limited	1 000	100	70	70
OverHorizon Communications Group, LLC	1 000	100	0	0
	–	**–**	**26,605**	**1,605**

Directly owned subsidiaries

Company name	Corp. ID number	Domicile	Country	Profit/loss for the year	Equity
OverHorizon AB	556679-1181	Stockholm	Sweden	-16,205	5,050
OverHorizon OHO 1 Limited	262622	Nicosia	Cyprus	2,400	-89,419
OverHorizon Communications Group, LLC	S226247-7	Arlington, VA	USA	4,730	-27,538

Subsidiaries indirectly owned through OverHorizon Communications Group, LLC	Corp. ID number	Domicile	Country	Votes/share of capital, %
OverHorizon LLC	S226246-9	Arlington, VA	USA	100

NOTE 22 TRADE RECEIVABLES

	Group		Parent Company	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Receivables not due	158	42	–	–
Receivables due, 31–60 days	38	–	–	–
Total	**196**	**42**	**–**	**–**

The Group has no significant amounts of trade receivables due on the respective balance sheet dates and thus reports no provision for doubtful trade receivables. The credit quality of trade receivables that have neither fallen due for payment or otherwise been impaired are assessed with reference to historical information about the counterparty.

NOTE 23 – PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Prepaid leases	282	220	–	–
Prepaid transaction costs	64,546	–	60,299	–
Other prepaid expenses	5,610	322	5,333	151
Total	**70,438**	**542**	**65,632**	**151**

NOTE 24 – CASH AND CASH EQUIVALENTS

	Group		Parent Company	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Cash and bank balances	257,382	77,165	211,070	41,774
Total	**257,382**	**77,165**	**211,070**	**41,774**

NOTE 25 – EQUITY

	Dec 31, 2019				Dec 31, 2018			
Class of share	No. of shares	Par value (SEK)	No. of votes per share	Share capital	No. of shares	Par value (SEK)	No. of votes per share	Share capital
Class A shares	33,585,596	0.10	1	3,359	8,396,399	0.10	1	840
Total	**33,585,596**		**33,585,596**	**3,359**	**8,396,399**		**8,396,399**	**840**

Share capital development - past two years

Year	Event	No. of new shares	No. of Class A shares	No. of Class B shares	Total no. of shares	Change in share capital, TSEK	Total share capital, TSEK
2017	Opening amount	–	–	–	5,000	–	500
Feb. 7, 2018	Share split	4,995,000	–	–	5,000,000	–	500
May 18, 2018	Rights issue	2,699,971	–	–	7,699,971	270	770
June 11, 2018	Rights issue	696,428	–	–	8,396,399	70	840
Jan. 30, 2019	Rights issue	25,189,197	–	–	33,585,596	2,519	3,359

Otherwise, refer to the Group's and the Parent Company's Specifications of change in equity.

Other paid-in capital
Other paid-in capital includes the contributions that the company has received from its shareholders and that are not reported as share capital.

Reserves
The item fully comprises exchange differences referable to translation of foreign subsidiaries.

Accumulated deficit
This item includes accumulated profit or loss in Ovzon. Other transactions with owners, such as dividends, are also reported here when applicable.

NOTE 26 – BORROWINGS

	Group		Parent Company	
Current	**Dec 31, 2019**	**Dec 31, 2018**	**Dec 31, 2019**	**Dec 31, 2018**
Liabilities to related parties (Note 31)	–	37,433	–	–
Total	**–**	**37,433**	**–**	**–**
Total borrowings	**–**	**37,433**	**–**	**–**

Weighted average effective interest rate for the Group	**Dec 31, 2019**	**Dec 31, 2018**
Liabilities to related parties, (Note 31), %	–	9.5

During the year, the company signed a senior credit facility of USD 60 million and signed a subordinated loan of SEK 200 million, which was unutilized at the balance sheet date. The loan in the US runs up to six years with an interest rate, in USD, of LIBOR 3m + 10 percent. The subordinated loan in SEK runs up to 6.5 years with an interest rate of 10 percent, and also contains the issue of up to 2,000,000 warrants with a tenor up to five years and a redemption price of SEK 100 each. Of these 2,000,000 options, 1,500,000 had been allocated at the balance sheet date.

The warrants allocated had a market value of TSEK 4,818, which is recognized as a deferred transaction expenditure at the end of the period.

NOTE 27 – ACCURED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	Dec 31, 2019	**Dec 31, 2018**	**Dec 31, 2019**	**Dec 31, 2018**
Accrued personnel expenses	9,495	1,575	2,258	368
Other accrued expenses	4,877	2,635	1,517	1,616
Total	**14,372**	**4,210**	**3,775**	**1,984**

NOTE 28 – PLEDGED ASSETS AND CONTINGENT LIABILITIES

	Group		Parent Company	
Pledged assets	**Dec 31, 2019**	**Dec 31, 2018**	**Dec 31, 2019**	**Dec 31, 2018**
Pledged bank funds	1,045	1034	–	–
Total	**1,045**	**1,034**	**–**	**–**

NOTE 29 – SUPPLEMENTARY DISCLOSURES ON CASH FLOW STATEMENT

Adjustments for non-cash items

	Group		Parent Company	
	Dec 31, 2019	**Dec 31, 2018**	**Dec 31, 2019**	**Dec 31, 2018**
Depreciation/amortization fixed assets	18,779	6,225	–	–
Other items	9,334	712	–	–
Total	**28,113**	**6,937**	**–**	**–**

Total impact on cash flow of the company's leases totals TSEK 1,328 (972 in amortizations and 356 in interest).

Change in liabilities with cash flows in financial activities, Group	**Liabilities to related parties**	**Other borrowings**	**Liabilities to Parent Company**	**Total**
Opening balance January 1, 2018	134,006	33,201	17,293	184,500
Loans raised	–	1,651	–	1,651
Amortization	-100,151	-39,668	-	-139,819
Decrease in current liabilities	–	–	-17,293	-17,293
Non-cash items				
– capitalized interest and currency effects, net	3,578	4,816	–	8,394
Closing balance, 31 December 2018	**37,433**	**–**	**–**	**37,433**
Opening balance January 1, 2019	37,433	–	–	37,433
Future lease liabilities, IFRS 16	–	8,306	–	8,306
Amortization	-38,093	-1,152	-	-39,245
Non-cash items				
– capitalized interest and currency effects, net	660	–	–	660
Closing balance, 31 December 2019	**–**	**7,154**	**–**	**7,154**

NOTE 30 – SUPPLEMENTARY DISCLOSURES, FINANCIAL ASSETS AND LIABILITIES

Disclosures concerning financial instruments measured at fair value in the balance sheet
The Group has no derivative instruments or other financial instruments measured at fair value.

Financial assets and liabilities by measurement category

Dec 31, 2019	Loans and trade receivables	Other financial liabilities	Total carrying amount	Accrued fair value
Financial assets and liabilities at amortised cost				
Other non-current receivables	1,045	–	1,045	1,045
Trade receivables	196	–	196	196
Cash and cash equivalents	257,382	–	257,382	257,382
Total	**258,623**	**–**	**258,623**	**258,623**
Financial liabilities measured at amortized cost				
Lease liabilities, IFRS 16 Leases	–	7,154	7,154	7,154
Trade payables	–	73,647	73,647	73,647
Other current liabilities	–	516	516	516
Total		**81,317**	**81,317**	**81,317**

Dec 31, 2019	Loans and trade receivables	Other financial liabilities	Total carrying amount	Accrued fair value
Financial assets and liabilities at amortised cost				
Other non-current receivables	1,034	–	1,034	1,034
Trade receivables	42	–	42	42
Cash and cash equivalents	77,165	–	77,165	77,165
Total	**78,241**	**–**	**78,241**	**78,241**
Financial liabilities measured at amortized cost				
Liabilities to related parties		37,433	37,433	37,433
Trade payables	–	7,503	7,503	7,503
Other current liabilities	–	6,257	6,257	6,257
Total		**51,193**	**51,193**	**51,193**

The Group's maturity structure in respect of undiscounted cash flows for financial liabilities

Nominal amount at December 31, 2019	Within 1 year	1–2 years	2–5 years	More than 5 years	No due date
Lease liabilities, IFRS 16 Leases	1,701	1,725	4,460	40	–
Trade payables	73,647	–	–	–	–
Other current liabilities	516	–	–	–	–
Total	**75,864**	**1,725**	**4,460**	**40**	**–**

Nominal amount at December 31, 2018	Within 1 year	1–2 years	2–5 years	More than 5 years	No due date
Liabilities to related parties, Note 31	37,433	–	–	–	–
Trade payables	7,503	–	–	–	–
Other current liabilities	6,257	–	–	–	–
Total	**51,193**	**–**	**–**	**–**	**–**

NOTE 31 – TRANSACTIONS WITH RELATED PARTIES

Receivables in and liabilities to related parties

	Group		Parent Company	
	Dec 31, 2019	**Dec 31, 2018**	**Dec 31, 2019**	**Dec 31, 2018**
Etheron AB	–	31,234	–	–
Equi Performance Sweden AB	–	6,109	–	–
OverHorizon AB	–	–	409,775	50,197
OverHorizon OHO 1 Limited	–	-	115,047	136,672
OverHorizon Communications Group LLC	–	–	285	70
OverHorizon LLC	–	–	170,144	635
Total	**–**	**37,343**	**695,251**	**187,574**

During the period, the Group retired TSEK 38,093 (regarding borrowings and accrued interest) in debts to Etheron AB and Equi Performance AB.

Of the amortized settlements, TSEK 14,293 went to subscribing for shares in the company in conjunction with the rights issue in the first quarter of 2019.

In addition, the company has charged OverHorizon (Cyprus) Plc TSEK 1,380 for resources and various overhead charged to Ovzon AB.

For remuneration to the Board of Directors, the CEO and other senior executives in the company, refer to Note 9.

NOTE 32 – EVENTS AFTER THE END OF THE FINANCIAL YEAR

The company carried out a private placement of approximately SEK 84.5 million directed at Stena Finans AB.

The Group expanded its network of distribution partners with Network Innovations, Bansat and Orbita.

NOTE 33 – PROPOSED ALLOCATION OF PROFITS

The following profits are at the disposal of the Annual General Meeting (SEK):	967,504,262
The Board of Directors proposes that the following be carried forward (SEK):	967,504,262

Stockholm, March 10, 2020

Anders Björkman
Chairman of the Board

Magnus René
CEO and Board member

Lennart Hällkvist
Board member

Patrik Tigerschiöld
Board member

Nicklas Paulson
Board member

Our audit report was submitted on March 10, 2020

Grant Thornton Sweden AB

Carl-Johan Regell
Authorized Public Accountant

Auditor's report

To the general meeting of the shareholders of Ovzon AB (publ)
Corporate identity number 559079-2650

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Ovzon AB (publ) for the year 2019. The annual accounts and consolidated accounts of the company are included on pages 42-66 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts. We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the income statement, the statement of comprehensive income and balance sheet for the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Other Information than the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the other information than the annual accounts and consolidated accounts. The other information is found on pages 1-41 and 70-71.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

<<In preparing the annual accounts and consolidated accounts, the Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Ovzon AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section. We are independent of the parent company and the group in accordance with professional

ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Stockholm 10 March 2020

Grant Thornton Sweden AB

Carl-Johan Regell
Authorized Public Accountant

Alternative performance measures

The company reports alternative performance measures in this Annual Report. The alternative performance measures provide valuable supplementary information to investors and other stakeholders as they enable evaluation of the company's performance. The alternative performance measures in this Annual Report may differ from the calculation method of similar measures used by other companies.

Adjusted operating profit/loss
Operating profit/loss excluding items affecting comparability.

Operating margin
Operating margin refers to operating profit/loss in relation to net sales.

Adjusted operating margin
Operating profit/loss excluding items affecting comparability in relation to revenue.

Earnings per share
Profit for the period in relation to the average number of shares. Average number of shares is calculated as the number of shares at the end of the period multiplied by the number of days that this number of shares has existed during the period, plus any other number of shares during the period multiplied by the number of days that this number of shares has existed during the period, divided by the total number of days in the period.

Equity/assets ratio
Equity expressed as a percentage of total assets.

Information for shareholders

The Board of Directors of Ovzon AB has issued notice of the Annual General Meeting. Time: Wednesday, April 1, 2020, at 4:00 p.m. Venue: The company's premises at Anderstorpsvägen 10, Solna, Sweden.

Registration in the share register and notification
Shareholders wishing to attend the Annual General Meeting must be registered on March 26, 2020 in the share register maintained by Euroclear Sweden AB and notify the company of their intent to participate no later than March 26, 2020. Registration for the AGM can be done by mail to AGM 2020, Ovzon AB (publ), c/o Baker & McKenzie Advokatbyrå AB, Attn: Ian Gulam, Box 180, SE-101 23 Stockholm, Sweden, or by e-mail to ian.gulam@bakermckenzie.com.

When registering, the shareholder should state their full name, personal identification number or corporate registration number, address and daytime telephone number. Shareholders are requested when registering to also provide details of representatives, proxy holders and advisors where applicable. Shareholders whose shares are registered in the name of a nominee must temporarily register their shares in their own name at Euroclear Sweden AB to be entitled to vote at the Annual General Meeting. Such temporary registration must be completed no later than March 26, 2020. This means that shareholders must make this request to their nominee in good time prior to this.

Dividend
The Board of Directors of Ovzon AB will propose to the Annual General Meeting that no dividend be paid for the 2019 financial year. In the coming years, Ovzon AB will primarily use generated cash flow for continued expansion.

FINANCIAL CALENDAR

Annual General Meeting 2020	April 1, 2020
Interim Report January – March 2020	April 28, 2020
Interim Report January – June 2020	August 18, 2020
Interim Report January – September 2020	October 21, 2020
Year-end report 2020	February 19, 2021

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