



# INTERIM REPORT

January - June 2016



**Cover image:** Antenna installation at Esrange Space Center  
Photo: SSC



## Quarterly report 1 January – 30 June 2016

### January – June 2016 in brief

	2016	2015
Net sales	458	453
Operating profit	-22	-12
Profit before tax	-32	1
Net income	-48	-6
Cash flow after investments	-39	-69

### Significant events during the second quarter 2016

Continued high activity level at Esrange Space Center. During the first two quarters seven rockets were launched from the Esrange Space Center, amongst them SPIDER / LEEWAVES which is included in the Swedish National Space Board's new national rocket program. The program with its research on the aurora has attracted a lot of media attention.

### Development of the Group's results and financial position during the period

Consolidated operating profit amounted to -22 MSEK (-12 MSEK). This includes non-recurring items of -8 MSEK for a major restructuring program to reduce future costs. Excluding exceptional items, operating profit amounted to -14 MSEK (-6 MSEK).

Operating profit in Satellite Management Services, Engineering Services and Science Services improved with 15 MSEK vs. previous year, while operating results in ECAPS and NanoSpace developed negatively. The improvements come from a combination of increased revenues, strengthened margins and cost reductions generated from the cost reduction program. The negative development in ECAPS and NanoSpace derived from reduced margins in the project business. Some projects have suffered negative impact from problems with sub-suppliers which have increased the amount of resources used in these projects.

Consolidated financial net amounted to -9 MSEK (13 MSEK). The financial net included currency effects of -7 MSEK (11 MSEK).

Profit before tax was -32 MSEK (1 MSEK).

Net Income was -48 MSEK (-6 MSEK).

Total assets 30 June 2016 amounted to 1 229 MSEK (1 146 MSEK as at 31 December 2015), an increase of 83 MSEK related to higher project activity levels and investments.

Cash flow after investments during the period was -39 MSEK (-69 MSEK). Net investments amounted to 46 MSEK (63 MSEK).

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## **Development of the Parent company's results and financial position during the period**

Operating profit for the Parent Company was -24 MSEK (-28 MSEK).

Net income for the Parent Company amounted to -39 MSEK (-11 MSEK).

Total assets 30 June 2016 amounted to 1 070 MSEK (992 as at 31 December 2015), an increase of 78 MSEK due to higher activity in the project business. Interest-bearing liabilities increased by 101 MSEK whereof 6 MSEK comes from currency adjustments.

Cash flow during the period was 68 MSEK (-41 MSEK). Net investments amounted to 32 MSEK (39 MSEK).

## **Significant risk factors for the Group's operations**

Large parts of the SSC operations involve high technical risks. These are both technical development risks, and the risks of failure at for instance launches of rockets, satellites, balloons, and also risks that satellites in orbit for some reason fail. Malfunctions can often not be corrected after the errors have occurred. The technical risks in many cases also result in financial / commercial risks, for instance cancelled assignments due to breakdowns. These risks can only to a limited extent be insured at a reasonable cost.

SSC:s operations are exposed to currency exchange rate changes, mainly in euros and US dollars. To which extent varies, but the part of turnover in euro in the parent company typically reaches 35-45%. As of 30 June 2016 it was 46%. The legal entity in Chile mainly has its revenues in US dollars but a vast part of the costs in local currency. The entity is therefore exposed to changes in currency exchange rates between these two currencies. The subsidiaries in Chile and in the US are both financed by loans in US dollars from the parent company and from equity. The external financing in the parent company is made in euro and USD.

## **Environment and future prospects**

The large space agencies in the western world are facing tightened budgets and increased financial constraints. At the same time new commercial actors are increasing and more and more countries are engaging in advanced space operations. Competition increases, the market is globalized, fast technology development reduces both costs and lead times which enables investments in new space based systems and applications.

At the same time as the commercial sector is growing, especially on the North American market, space companies are still heavily depending on traditional, publicly financed projects. Altogether the global market for space related products and services is changing at a fast pace which creates good growth opportunities for SSC.

SSC continues its stake and expansion within Satellite Management Services. Already made and planned investments in above all enlarged capacity and strategically planned earth stations are positioning the company well for new business and a gradual development of a broader and more attractive global offering for both present and new customers.

SSC has initiated a comprehensive upgrade and enhancement of the Esrange Space Center where one of the goals is to have the ability to launch smaller satellites into orbit. These investments will continue over several years ahead.

## **Important events after the balance sheet date**

No essential events after the balance sheet date.

## Consolidated income statement

	2016 Apr-Jun	2015 Apr-Jun	2016 Jan-Jun	2015 Jan-Jun	2015 Jan-Dec
Net sales	229,7	233,0	458,3	452,5	988,6
Other revenue	2,5	1,0	3,8	2,2	4,3
External expenses	-94,9 <sup>1)</sup>	-88,8	-193,0 <sup>1)</sup>	-182,7 <sup>1)</sup>	-429,8 <sup>1)</sup>
Personnel cost	-125,0 <sup>1)</sup>	-127,3	-247,6 <sup>1)</sup>	-248,0 <sup>1)</sup>	-485,5 <sup>1)</sup>
Amortizations and depreciations	-22,4	-18,2	-43,8	-36,1	-73,0
<b>Operating profit</b>	<b>-10,1</b>	<b>-0,4</b>	<b>-22,3</b>	<b>-12,2</b>	<b>4,6</b>
Financial income and expenses	-1,7	-10,5	-9,4	13,0	11,9
<b>Income after financial items</b>	<b>-11,8</b>	<b>-10,9</b>	<b>-31,7</b>	<b>0,8</b>	<b>16,5</b>
Income taxes	-10,6 <sup>2)</sup>	-3,4	-16,0 <sup>2)</sup>	-7,2 <sup>2)</sup>	-17,6
<b>Income for the period</b>	<b>-22,4</b>	<b>-14,2</b>	<b>-47,7</b>	<b>-6,4</b>	<b>-1,1</b>
<b>Total other income</b>					
<b>Items that will be reclassified to profit and loss when specific conditions are met</b>					
Translation differences in foreign operations	4,9	-5,2	4,1	2,6	2,1
Cash flow hedges incl. tax-effects	-1,6	-0,9	-1,9	0,7	1,1
<b>Total other income for period</b>	<b>3,4</b>	<b>-6,1</b>	<b>2,2</b>	<b>3,3</b>	<b>3,2</b>
<b>Total profit/loss for period</b>	<b>-19,0</b>	<b>-20,3</b>	<b>-45,5</b>	<b>-3,1</b>	<b>2,1</b>
Sum of period total P&L pertaining to:					
- parent company shareholders	-19,0	-20,3	-45,5	-3,1	2,1
- ownership without controlling interest	-	-	-	-	-
	-19,0	-20,3	-45,5	-3,1	2,1
<b>Earnings per share, SEK</b>	<b>-1 380</b>	<b>-876</b>	<b>-2 936</b>	<b>-396</b>	<b>-69</b>
<sup>1)</sup> Change in provisions external costs and personnel costs	0,3	0,0	2,0	-0,6	-6,6
<sup>2)</sup> Calculated Tax	-0,4	0,6	3,0	3,7	10,3

## Consolidated balance sheet

	2016 30 Jun	2015 30 Jun	2015 31 Dec
<b>Assets</b>			
Intangible assets	67,6	63,8	66,4
Tangible assets	690,4	634,5	682,8
Financial assets	0,0	0,0	0,0
Deferred tax assets	1,1	3,3	1,3
<b>Total non-current assets</b>	<b>759,1</b>	<b>701,6</b>	<b>750,5</b>
Inventories	10,0	11,6	9,9
Current receivables	313,9	264,1	292,0
Cash and cash equivalents	146,0	78,9	93,1
<b>Total current assets</b>	<b>469,9</b>	<b>354,6</b>	<b>395,0</b>
<b>TOTAL ASSETS</b>	<b>1 229,0</b>	<b>1 056,3</b>	<b>1 145,5</b>
<b>Equity</b>			
Share equity	32,5	32,5	32,5
Reserves	11,6	9,5	9,4
Retained earnings including profit for the period	405,5	447,9	453,2
	<b>449,6</b>	<b>489,9</b>	<b>495,1</b>
<b>Minority interests</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Equity</b>	<b>449,6</b>	<b>489,9</b>	<b>495,1</b>
<b>Liabilities</b>			
Long-term interest bearing liabilities	382,5	225,1	281,5
Long-term non-interest bearing liabilities	79,5	75,1	72,8
Deferred tax liabilities	9,8	5,7	5,5
<b>Total non-current liabilities</b>	<b>471,8</b>	<b>306,0</b>	<b>359,8</b>
Short-term interest bearing liabilities	0,0	5,1	0,0
Short-term non-interest bearing liabilities	293,9	235,6	270,9
Current provisions	13,7	19,6	19,6
<b>Total current liabilities</b>	<b>307,6</b>	<b>260,4</b>	<b>290,6</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 229,0</b>	<b>1 056,3</b>	<b>1 145,5</b>

## Consolidated statement of cash flows

	2016 Jan-Jun	2015 Jan-Jun	2015 Jan-Dec
Cash flow from operations	3,3	11,0	52,9
Change in working capital	3,9	-16,3	-6,8
<b>Cash flow from operating activities</b>	<b>7,2</b>	<b>-5,3</b>	<b>46,1</b>
Net investments in intangible assets	-2,1	-5,4	-8,7
Net investments in tangible assets	-43,8	-57,9	-140,6
<b>Cash flow from investments</b>	<b>-45,9</b>	<b>-63,3</b>	<b>-149,3</b>
<b>Cash flow from financing activities</b>	<b>89,7</b>	<b>20,2</b>	<b>71,3</b>
<b>Changes in cash and cash equivalents</b>	<b>51,0</b>	<b>-48,4</b>	<b>-31,9</b>
Cash and cash equivalents, beginning of the period	93,1	126,7	126,7
Currency gains/losses in liquid assets	1,9	0,6	-1,7
<b>Cash and cash equivalents, end of the period</b>	<b>146,0</b>	<b>78,9</b>	<b>93,1</b>

## Consolidated statement of changes in equity

Equity attributable to holders of the parent company

	Reserves			Retained earnings	Total equity
	Share capital	Translation reserves	Hedge reserves		
Equity, beginning of the period, 1 Jan, 2015	32,5	6,9	-0,8	464,5	503,1
Dividends				-10,1	-10,1
Income for the period		2,6	0,7	-6,4	-3,1
<b>Balance at 30 Jun, 2015</b>	<b>32,5</b>	<b>9,6</b>	<b>-0,1</b>	<b>447,9</b>	<b>489,9</b>
Equity, beginning of the period, 1 Jan, 2015	32,5	6,9	-0,8	464,5	503,1
Dividends				-10,1	-10,1
Income for the period		2,1	1,1	-1,1	2,1
<b>Balance at 31 Dec, 2015</b>	<b>32,5</b>	<b>9,0</b>	<b>0,4</b>	<b>453,2</b>	<b>495,1</b>
Equity, beginning of the period, 1 Jan, 2016	32,5	9,0	0,4	453,2	495,1
Dividends				-	-
Income for the period		4,1	-1,9	-47,7	-45,5
<b>Balance at 30 Jun, 2016</b>	<b>32,5</b>	<b>13,1</b>	<b>-1,5</b>	<b>405,5</b>	<b>449,6</b>

## Net sales, market distribution

	2016 Jan-Jun	2015 Jan-Jun	2015 Jan-Dec
The groups' net sales is attributed to the following market areas:			
Sweden	20%	17%	16%
Europe excl. Sweden	59%	58%	59%
Asia	8%	9%	9%
America	13%	16%	15%
Other markets	0%	1%	1%
	<b>100%</b>	<b>100%</b>	<b>100%</b>

## Key ratios SSC group

	2016 Jan-Jun	2015 Jan-Jun	2015 Jan-Dec
Return on equity	-10,1%	-0,3%	-0,2%
Equity ratio	36,6%	46,4%	43,2%
Return on Operating Capital	-3,2%	-2,2%	0,7%
Return on Invested Capital	0,53	0,31	0,38

## Parent company income statement

	2016 Apr-Jun	2015 Apr-Jun	2016 Jan-Jun	2015 Jan-Jun	2015 Jan-Dec
Net sales	122,1	114,5	236,0	221,8	494,8
Other revenue	1,5	0,8	2,5	1,8	3,5
External expenses	-65,7 <sup>1)</sup>	-56,7	-129,6 <sup>1)</sup>	-121,5 <sup>1)</sup>	-289,1 <sup>1)</sup>
Personnel cost	-59,9 <sup>1)</sup>	-59,4	-115,1 <sup>1)</sup>	-115,5 <sup>1)</sup>	-222,8 <sup>1)</sup>
Amortizations and depreciations	-9,3	-7,2	-17,7	-14,2	-29,0
<b>Operating profit</b>	<b>-11,2</b>	<b>-8,0</b>	<b>-24,0</b>	<b>-27,6</b>	<b>-42,7</b>
Financial income and expenses	-0,2	-9,2	-14,6	16,3	36,1
<b>Income after financial items</b>	<b>-11,5</b>	<b>-17,2</b>	<b>-38,6</b>	<b>-11,3</b>	<b>-6,6</b>
Dispositions	0,0	0,0	0,0	0,0	-29,0
Income taxes	-0,6 <sup>2)</sup>	-0,4	-0,7 <sup>2)</sup>	-0,1 <sup>2)</sup>	6,7
<b>Income for the period</b>	<b>-12,1</b>	<b>-17,6</b>	<b>-39,3</b>	<b>-11,3</b>	<b>-28,9</b>
<b>Total other income</b>					
<b>Items that will be reclassified to profit and loss when specific conditions are met</b>					
Cash flow hedges incl. tax-effects	-1,6	-0,9	-1,9	0,7	1,1
<b>Total other income for period</b>	<b>-1,6</b>	<b>-0,9</b>	<b>-1,9</b>	<b>0,7</b>	<b>1,1</b>
<b>Total profit/loss for period</b>	<b>-13,7</b>	<b>-18,5</b>	<b>-41,2</b>	<b>-10,6</b>	<b>-27,7</b>
<sup>1)</sup> Change in provisions external costs and personnel costs	0,6	0,2	0,6	0,2	-3,8
<sup>2)</sup> Calculated Tax	0,0	2,7	2,9	5,8	10,9

## Parent company balance sheet

	2016 30 Jun	2015 30 Jun	2015 31 Dec
<b>Assets</b>			
Intangible assets	14,4	10,5	12,9
Tangible assets	328,7	263,5	312,4
Financial assets	354,0	389,7	362,0
Deferred tax assets	25,1	18,7	25,3
<b>Total non-current assets</b>	<b>722,2</b>	<b>682,3</b>	<b>712,7</b>
Inventories	3,6	4,3	3,7
Current receivables	251,7	198,6	251,9
Cash and cash equivalents	92,4	9,8	23,9
<b>Total current assets</b>	<b>347,7</b>	<b>212,7</b>	<b>279,5</b>
<b>TOTAL ASSETS</b>	<b>1 069,9</b>	<b>895,0</b>	<b>992,2</b>
<b>Equity</b>			
Share equity (16 250 shares)	32,5	32,5	32,5
Reserves	6,5	6,5	6,5
Fund for intrinsic value	-1,5	-0,1	0,4
Retained earnings	285,2	314,1	314,1
Income for the period	-39,3	-11,3	-28,9
<b>Total Equity</b>	<b>283,4</b>	<b>341,7</b>	<b>324,6</b>
<b>Untaxed reserves</b>	<b>115,0</b>	<b>86,1</b>	<b>115,0</b>
<b>Liabilities</b>			
Long-term interest bearing liabilities	382,5	225,1	281,5
Long-term non-interest bearing liabilities	79,5	75,1	72,8
<b>Total non-current liabilities</b>	<b>462,0</b>	<b>300,2</b>	<b>354,3</b>
Short-term interest bearing liabilities	0,0	0,0	0,0
Short-term non-interest bearing liabilities	204,6	167,0	189,0
Current provisions	4,8	0,0	9,3
<b>Total current liabilities</b>	<b>209,4</b>	<b>167,0</b>	<b>198,3</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 069,9</b>	<b>895,0</b>	<b>992,2</b>
<b>Pledged securities</b>	<b>52,5</b>	<b>52,6</b>	<b>52,5</b>
<b>Contingency liabilities</b>	<b>8,5</b>	<b>10,9</b>	<b>8,4</b>

### Parent company statement of cash flows

	2016 Jan-Jun	2015 Jan-Jun	2015 Jan-Dec
Cash flow from operations	6,3	-5,5	43,5
Change in working capital	3,8	-18,8	-40,6
<b>Cash flow from operating activities</b>	<b>10,1</b>	<b>-24,3</b>	<b>2,9</b>
Net investments in intangible assets	-2,0	-5,0	-7,4
Net investments in tangible assets	-32,9	-34,4	-99,3
Net investments in financial assets	3,3		
<b>Cash flow from investments</b>	<b>-31,6</b>	<b>-39,3</b>	<b>-106,6</b>
<b>Cash flow from financing activities</b>	<b>89,7</b>	<b>23,1</b>	<b>79,5</b>
<b>Changes in cash and cash equivalents</b>	<b>68,2</b>	<b>-40,6</b>	<b>-24,2</b>
Cash and cash equivalents, beginning of the period	23,9	50,0	50,0
Currency gains/losses in liquid assets	0,2	0,3	-1,9
<b>Cash and cash equivalents, end of the period</b>	<b>92,4</b>	<b>9,7</b>	<b>23,9</b>

### Parent company statement of changes in equity

	Share capital	Translation reserves	Hedge reserves	Retained earnings	Total Equity
Equity, beginning of the period, 1 Jan, 2015	32,5	6,5	-0,8	324,2	362,4
Dividends				-10,1	-10,1
Income for the period			0,7	-11,3	-10,6
<b>Balance at 30 Jun, 2015</b>	<b>32,5</b>	<b>6,5</b>	<b>-0,1</b>	<b>302,8</b>	<b>341,7</b>
Equity, beginning of the period, 1 Jan, 2015	32,5	6,5	-0,8	324,2	362,4
Dividends				-10,1	-10,1
Income for the period			1,1	-28,9	-27,7
<b>Balance at 31 Dec, 2015</b>	<b>32,5</b>	<b>6,5</b>	<b>0,4</b>	<b>285,2</b>	<b>324,6</b>
Equity, beginning of the period, 1 Jan, 2016	32,5	6,5	0,4	285,2	324,6
Dividends				-	-
Income for the period			-1,9	-39,3	-41,2
<b>Balance at 30 Jun, 2016</b>	<b>32,5</b>	<b>6,5</b>	<b>-1,5</b>	<b>245,9</b>	<b>283,4</b>



## Accounting principles

This report has been prepared in accordance with IAS 34, Interim Financial Reporting. The Group accounts have been prepared in accordance with the International Financial Reporting Standards, IFRS, as adopted by the European Union, and the Swedish Annual Accounts Act. The interim report for the Parent company has been prepared in accordance with the Swedish Annual Accounts Act and the recommendation RFR 2 Accounting for legal entities. New standards, amendments and interpretations which entered into force in 2016, has been recognized in the Group's financial position or financial reports. The accounting principles and calculation methods are unchanged as compared with the description in the annual report for 2015, see Note 1, pages 29-42.

Amounts are in MSEK (millions of SEK) unless otherwise stated.

## Other

This interim report has not been reviewed by the auditors. The interim report is issued by the Board of Directors.

## Upcoming financial reports

The Interim report for the third quarter 2016 will be published October 28, 2016.