



YEAR-END REPORT 2016



Cover image: Launch of SPIDER/LEEWAVES rocket from Esrange Space Center, 2016
Photo: Marcus Lindh, SSC



Year-end report 2016

January – December 2016 in brief

	2016	2015
Net sales	991	989
Operating profit	14	5
Profit before tax	8	17
Net income	-18	-1
Cash flow	71	-32

Significant events during the year 2016

In 2016 Esrange Space Center celebrated 50 successful years. The celebrations included seminars, with representatives from the space industry as well as politicians, and an open house with guided tours for the public at the Space Center.

The year was characterized by continued high activity on Esrange Space Center. A total of 10 rockets were launched and 24 balloons released from Esrange.

Also in Engineering Services it was a year with high activity level and high capacity utilization in the consulting businesses.

During the year Satellite Management Services signed several new contracts with both new and existing customers and a number of existing contracts were extended.

In October the subsidiary NanoSpace AB was divested. This was in line with SSC's strategic direction to focus the operations on advanced space services.

Development of the Group's results and financial position during 2016

Consolidated operating income amounted to 14 MSEK (5 MSEK). The operating income includes non-recurring items of -10 MSEK for a cost reduction program and a positive effect of 12 MSEK as a result of the divestment of NanoSpace AB.

Operating profit improved significantly within the divisions Satellite Management Services and Engineering Services due to increased net sales, decreased costs and high capacity utilization. Earnings in ECAPS developed negatively since the transition from a product development company to a production company takes time and increases the consumption of resources. Earnings in Science Services remained positive, but decreased compared to the previous year which was a year of exceptionally high levels of activity at Esrange.

Consolidated profit from financial items amounted to -7 MSEK (12 MSEK). The profit from financial items included currency effects of -2 MSEK (18 MSEK).

Profit before tax was 8 MSEK (17 MSEK).

Svenska rymdaktiebolaget

Box 4207
171 04 Solna
Tel: 08-627 62 00
Fax: 08-98 70 69
www.sscspace.com
Reg.no. 556166-5836
Styrelsens säte: Kiruna



Net income for the Group amounted to -18 MSEK (-1 MSEK). The tax paid is high relative to the Group's overall result due to different profit levels in different countries. Tax on profits in one country can not be off-set against the loss in another country.

Total assets 31 December 2016 amounted to 1 249 MSEK (1 146 MSEK), an increase with 104 MSEK. Interest bearing liabilities have increased with 99 MSEK, where-of 73 MSEK adjusted for currency effects.

Cash flow during the year was 71 MSEK (-32 MSEK). Net investments amounted to 82 MSEK (149 MSEK), where-of investments at the Esrange Space Center amounted to 11 MSEK.

Development of the parent company's results and financial during 2016

Operating profit for the Parent Company was -25 MSEK (-43 MSEK).

Net income for the Parent Company amounted to -75 MSEK (-29 MSEK).

Total assets 31 December 2016 amounted to 1 048 MSEK (992 MSEK), an increase of 56 MSEK due to investments and increased debt. Interest-bearing liabilities have increased with 99 MSEK, where-of 73 MSEK adjusted for currency effects.

Cash flow during the year was 66 MSEK (-24 MSEK). Net investments amounted to 16 MSEK (87 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%. For 2016 it was 42%. 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 space industry and its markets are characterized by rapid change. Extensive restructuring is taking place in many nations and regions. The space industry is heavily depending on public sector financing and SSC is therefore striving toward increased sales to the private sector. Affecting several of the joint space projects, the euro crisis is squeezing the market even more.

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.

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



Important events after the balance sheet date

No essential events after the balance sheet date.

Proposed dividend

The Board proposes that no dividend should be paid for 2016.

Consolidated income statement

	2016 Oct-Dec	2015 Oct-Dec	2016 Jan-Dec	2015 Jan-Dec
Net sales	281,6	279,3	990,7	988,6
Other revenue	16,5	1,4	22,4	4,3
External expenses	-118,5 ¹⁾	-138,5 ¹⁾	-411,7 ¹⁾	-429,8 ¹⁾
Personnel cost	-132,5 ¹⁾	-122,2 ¹⁾	-495,2 ¹⁾	-485,5 ¹⁾
Amortizations and depreciations	-23,9	-18,6	-91,9	-73,0
Operating profit	23,1	1,4	14,4	4,6
Financial income and expenses	6,9	0,1	-6,9	11,9
Income after financial items	30,1	1,5	7,5	16,5
Income taxes	-6,1 ²⁾	-9,1 ²⁾	-25,9	-17,6
Income for the period	24,0	-7,6	-18,4	-1,1
Total other income				
Items that will be reclassified to profit and loss when specific conditions are met				
Translation differences in foreign operations	5,1	-1,7	13,3	2,1
Cash flow hedges	3,4	0,7	0,2	1,4
Change in fair value of financial assets available for sale	0,4	-	0,4	-
Income tax relating to items above	-0,8	-0,1	-0,1	-0,3
Total other income for period	8,0	-1,2	13,7	3,2
Total profit/loss for period	32,0	-8,8	-4,7	2,1
Sum of period total P&L pertaining to:				
- parent company shareholders	32,0	-8,8	-4,7	2,1
- ownership without controlling interest	-	-	-	-
	32,0	-8,8	-4,7	2,1
Earnings per share, SEK	1 476	-468	-1 131	-69
¹⁾ Change in provisions external costs and personnel costs	3,1	-6,3	3,1	-6,6
²⁾ Calculated Tax	3,3	1,3	7,6	10,3

Consolidated balance sheet

	2016 31 Dec	2015 31 Dec
Assets		
Intangible assets	69,2	66,4
Tangible assets	703,2	682,8
Financial assets	19,9	0,0
Deferred tax assets	1,6	1,3
Total non-current assets	793,9	750,5
Inventories	10,0	9,9
Current receivables	276,0	292,0
Cash and cash equivalents	169,4	93,1
Total current assets	455,4	395,0
TOTAL ASSETS	1 249,3	1 145,5
Equity		
Share equity	32,5	32,5
Reserves	23,1	9,4
Retained earnings including profit for the period	434,9	453,2
	490,4	495,1
Minority interests	-	-
Total Equity	490,4	495,1
Liabilities		
Long-term interest bearing liabilities	380,1	281,5
Long-term non-interest bearing liabilities	86,9	72,8
Provisions	2,2	0,0
Deferred tax liabilities	10,7	5,5
Total non-current liabilities	480,0	359,8
Short-term interest bearing liabilities	0,0	0,0
Short-term non-interest bearing liabilities	272,2	270,9
Current provisions	6,7	19,6
Total current liabilities	278,9	290,6
TOTAL EQUITY AND LIABILITIES	1 249,3	1 145,5

Consolidated statement of cash flows

	2016 Jan-Dec	2015 Jan-Dec
Cash flow from operations	59,4	56,0
Change in working capital	21,0	-9,9
Cash flow from operating activities	80,4	46,1
Net investments in intangible assets	-4,4	-8,7
Net investments in tangible assets	-81,0	-140,6
Sale of subsidiaries	3,0	-
Cash flow from investments	-82,4	-149,3
Cash flow from financing activities	72,8	71,3
Changes in cash and cash equivalents	70,8	-31,9
Cash and cash equivalents, beginning of the period	93,1	126,7
Currency gains/losses in liquid assets	5,5	-1,7
Cash and cash equivalents, end of the period	169,4	93,1

Consolidated statement of changes in equity

Equity attributable to holders of the parent company

	Share capital	Reserves	Retained earnings	Total equity
Equity, beginning of the period, 1 Jan, 2015	32,5	6,1	464,5	503,1
Dividends			-10,1	-10,1
Income for the period		3,2	-1,1	2,1
Balance at 31 Dec, 2015	32,5	9,4	453,2	495,1
Equity, beginning of the period, 1 Jan, 2016	32,5	9,4	453,2	495,1
Dividends			-	-
Income for the period		13,7	-18,4	-4,7
Balance at 31 Dec, 2016	32,5	23,1	434,9	490,4

Net sales, market distribution

The groups' net sales is attributed to the following market areas:

	2016 Jan-Dec	2015 Jan-Dec
Sweden	18%	16%
Europe excl. Sweden	56%	59%
Asia	9%	9%
America	16%	15%
Other markets	1%	1%
	100%	100%

Key ratios SSC group

	2016 Jan-Dec	2015 Jan-Dec
Return on equity	-3,7%	-0,2%
Equity ratio	39,3%	43,2%
Return on Operating Capital	2,1%	0,7%
Return on Invested Capital	0,43	0,38

Parent company income statement

2016	2015	2016	2015
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	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Net sales	129,4	141,3	490,7	494,8
Other revenue	16,2	1,0	20,6	3,5
External expenses	-73,9 ¹⁾	-92,9 ¹⁾	-272,6 ¹⁾	-289,1 ¹⁾
Personnel cost	-60,8 ¹⁾	-55,8 ¹⁾	-225,8 ¹⁾	-222,8 ¹⁾
Amortizations and depreciations	-9,9	-7,5	-38,3	-29,0
Operating profit	0,9	-13,9	-25,4	-42,7
Financial income and expenses	-5,5	0,2	-30,5	36,1
Income after financial items	-4,6	-13,7	-55,9	-6,6
Dispositions	-24,7	-29,0	-24,7	-29,0
Income taxes	6,3 ²⁾	6,5 ²⁾	5,6	6,7
Income for the period	-23,0	-36,2	-75,1	-28,9
Total other income				
Items that will be reclassified to profit and loss when specific conditions are met				
Change in fair value of financial assets available for sale	0,4	-	0,4	-
Cash flow hedges	3,4	0,7	0,2	1,4
Income tax relating to items above	-0,8	-0,1	-0,1	-0,3
Total other income for period	3,0	0,6	0,4	1,1
Total profit/loss for period	-20,0	-35,6	-74,6	-27,7
¹⁾ Change in provisions external costs and personnel costs	-0,7	-3,9	1,3	-3,8
²⁾ Calculated Tax	-1,8	1,9	2,0	10,9

Parent company balance sheet

	2016 31 Dec	2015 31 Dec
Assets		
Intangible assets	14,0	12,9
Tangible assets	334,7	312,4
Financial assets	351,7	362,0
Deferred tax assets	30,7	25,3
Total non-current assets	731,2	712,7
Inventories	3,4	3,7
Current receivables	223,5	251,9
Cash and cash equivalents	90,1	23,9
Total current assets	317,0	279,5
TOTAL ASSETS	1 048,2	992,2
Equity		
Share equity (16 250 shares)	32,5	32,5
Reserves	6,5	6,5
Fund for intrinsic value	0,8	0,4
Retained earnings	285,2	314,1
Income for the period	-75,1	-28,9
Total Equity	250,0	324,6
Untaxed reserves	139,8	115,0
Liabilities		
Long-term interest bearing liabilities	380,1	281,5
Long-term non-interest bearing liabilities	86,9	72,8
Total non-current liabilities	467,1	354,3
Short-term non-interest bearing liabilities	185,4	189,0
Current provisions	6,0	9,3
Total current liabilities	191,4	198,3
TOTAL EQUITY AND LIABILITIES	1 048,2	992,2
Pledged securities	50,0	52,5
Contingency liabilities	9,1	8,4

Parent company statement of cash flows

	2016 Jan-Dec	2015 Jan-Dec
Cash flow from operations	7,4	9,2
Change in working capital	10,6	-25,7
Cash flow from operating activities	18,0	-16,6
Net investments in intangible assets	-2,2	-7,4
Net investments in tangible assets	-58,8	-99,3
Sale of subsidiaries	3,0	-
Net investments in financial assets	41,8	19,5
Cash flow from investments	-16,2	-87,2
Cash flow from financing activities	64,5	79,5
Changes in cash and cash equivalents	66,2	-24,2
Cash and cash equivalents, beginning of the period	23,9	50,0
Currency gains/losses in liquid assets	0,0	-1,9
Cash and cash equivalents, end of the period	90,1	23,9

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			1,1	-28,9	-27,7
Balance at 31 Dec, 2015	32,5	6,5	0,4	285,2	324,6
Equity, beginning of the period, 1 Jan, 2016	32,5	6,5	0,4	285,2	324,6
Dividends				-	-
Income for the period			0,4	-75,1	-74,6
Balance at 31 Dec, 2016	32,5	6,5	0,8	210,1	250,0

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

Annual report for 2016 will be published March 31, 2017
 The Annual General Meeting will be held April 26, 2017
 The Interim report for the first quarter 2017 will be published April 28, 2017