



YEAR-END REPORT 2017



Cover image: Antenna at Esrange Space Center, Christmas Eve 2017
Photo: SSC, Roland Pääjärvi

YEAR-END REPORT 2017

2017 IN BRIEF

The operating profit increased during 2017 but includes a negative one-off effect of -63 MSEK from the divestment of the subsidiary ECAPS. SSC has during 2017 seen a strong growth in Satellite Management Services and Engineering Services. The activity level at Esrange Space Center was relatively low during 2017 due to variations in project activity levels, which is common in this field of services.

FINANCIAL DEVELOPMENT IN BRIEF

Amount in MSEK	2017	2016
NET SALES	935	991
OPERATING PROFIT	-14	14
OPERATING PROFIT EXCLUDING EFFECTS FROM DIVESTMENTS	49	2
PROFIT BEFORE TAX	-38	8
PROFIT AFTER TAX	-47	-18
CASH FLOW AFTER INVESTMENTS	60	-2

SIGNIFICANT EVENTS DURING 2017

In early April, following seven years of preparations, MAXUS, the largest sounding rocket in Europe, was launched from Esrange Space Center. The scientific experiments on board were very successful and contributed to scientific research in several areas. The MAXUS project was financed by ESA (the European Space Agency).

During 2017 several other successful launches were also performed, including both sounding rockets and stratospheric balloons, all with the purpose to contribute to research and science. The activity level at Esrange Space Center was mostly concentrated to the first half of the year, when MAIUS-1 was launched on behalf of DLR (Deutsches Zentrum für Luft- und Raumfahrt), and two rockets within the student program REXUS/BEXUS, REXUS 21 and REXUS 22, which was a cooperation between the Swedish National Space Agency and DLR. Additionally three launches were performed in parallel with MAXUS: SERA-3, a student rocket in cooperation with CNES, and MAPHEUS 6 in cooperation with DLR. During fall two student balloons, BEXUS 24 and BEXUS 25, were launched from Esrange Space Center.

Satellite Management Services (SaMS) has during the year contributed to a number of satellite launches by assisting our customers with tracking and controlling the satellites and to place them in the right position after separation from the launching vehicle. This contributes to the creation of a space based infrastructure which is vital for the development of the society, both today and in the future.

Our global network of ground stations has been used more than ever before. New customers and services have been implemented at the same time as the cooperation with current customers since years back has continued and been intensified.

In Europe our space engineers within the division Engineering Services have supported a number of European space missions, often as an integrated part of our customers' organizations.

SSC is continuously working with upgrading the Esrange Space Center, and has the ambition to develop it even further in the future by adding capacity for launching smaller satellites from Esrange. The project is called SmallSat Express.

During 2017 another step in the development of Esrange was taken when the Swedish government asked SSC and the Swedish National Space Agency the task to prepare a Business Plan regarding the possibilities to launch satellites from Esrange Space Center on commercial basis. The report will be the input for a decision regarding governmental funding of new infrastructure at Esrange. The report was presented in the beginning of January 2018 and received a positive response. It confirmed our previous conclusions regarding the viability of the project as well as the demand on the market.

Esrange Space Center has played an important role in the Swedish as well as the European space industry for 50 years. A positive decision to support further infrastructure at Esrange would provide new and demanded capabilities, as well as strengthening Esrange's and Sweden's role in the future development of space based infrastructure. Government decision is expected to be taken during 2018.

End of March 2017 SSC's contract with FMV and the operations at Vidsel, Aerospace Test Services, was cancelled and the operations were handed over to FMV's management.

In July the subsidiary ECAPS AB was divested to Bradford Engineering. ECAPS continues its operations in SSC's premises in Stockholm.

DEVELOPMENT OF THE GROUP'S FINANCIAL POSITION 2017

Consolidated operating profit amounted to -14 MSEK (14 MSEK) including a one-off loss of -63 MSEK relating to the divestment of the subsidiary ECAPS.

The operating profit improved in the divisions Satellite Management Services and Engineering Services due to increased revenues, high utilization rate and lowered costs following a cost reduction program. The operating profit in Science Services decreased compared to previous year, which was a year with a rather high activity level at Esrange, while 2017 was a year with fewer launches.



Group financial net was -24 MSEK (-7 MSEK). Included in the financial net was a negative impact of currency effects of -18 MSEK (-2 MSEK) due to lower exchange rate for the USD.

Profit before tax was -38 MSEK (8 MSEK).

Group profit after tax amounted to -47 MSEK (-18 MSEK). Since SSC runs operations in several countries, and profits in one country may not be deducted against losses in another country, SSC's tax paid is high in relation to the Group's profit level.

Total assets 31 December 2017 amounted to 1 120 MSEK (1 249 MSEK), a decrease with 129 MSEK, due to lower investment levels and amortization of loans. Interest-bearing liabilities have been reduced with 67 MSEK, where-of 59 MSEK adjusted for currency effects.

Cash flow after investments amounted to 60 MSEK (-2 MSEK). Net investments amounted to -37 MSEK (-82 MSEK), where-of 9 MSEK (11 MSEK) related to investments at the Esrange Space Center.

DEVELOPMENT OF THE PARENT COMPANY'S FINANCIAL POSITION 2017

Operating profit for the Parent Company was -122 MSEK (-25 MSEK).

Profit after tax for the Parent Company amounted to -135 MSEK (-75 MSEK).

Total assets 31 December 2017 amounted to 911 MSEK (1 048 MSEK), a decrease with 137 MSEK, due to lower investment level and amortization of loans. Interest-bearing liabilities have decreased with 67 MSEK, where-of 59 MSEK excluding currency effects.

Cash flow after investments amounted to 5 MSEK (2 MSEK). Net investments amounted to 32 MSEK (-16 MSEK).

SIGNIFICANT RISK FACTORS FOR THE SSC GROUP

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 and balloons as well as 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 is 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 2017 it was 43%. The legal entity in Chile mainly has its revenues in US dollars but a large 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.



MARKET AND FUTURE PROSPECTS

The space industry and its markets are characterized by rapid change with an increasing element of private actors and investments. The space industry is still heavily depending on public sector financing and SSC is striving toward increased sales to the private sector.

SSC has during 2017 continued the extensive upgrade and enhancement of Esrange Space Center, where one of the goals is to launch smaller satellites into orbit. SSC has, together with the Swedish National Space Agency produced a Business Plan for commercial launching of satellites from Esrange. The Business Plan will support a government decision to fund necessary infrastructure at Esrange. If the government decides to finance the infrastructure the work will continue for several years ahead.

SSC continues its expansion within Satellite Management Services. Already made and planned investments in enlarged capacity, strategically placed earth stations and investments in new technology 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.

SSC also has the ambition to extend the operations within Engineering Services, through acquisitions combined with organic growth.

IMPORTANT EVENTS AFTER THE BALANCE SHEET DATE

No essential events after the balance sheet date.

PROPOSED DIVIDEND

The Board of Directors proposes that no dividend is paid to the owner for 2017.

CONSOLIDATED INCOME STATEMENT

Amount in MSEK	2017	2016	2017	2016
	OCT-DEC	OCT-DEC	JAN-DEC	JAN-DEC
Net sales	237	282	935	991
Other revenues	5	17	12	22
External expenses ¹⁾	-97	-119	-396	-412
Personnel costs ¹⁾	-118	-133	-471	-495
Amortizations and depreciations	-23	-24	-94	-92
OPERATING PROFIT	4	23	-14	14
Financial income and expenses	-6	7	-24	-7
PROFIT BEFORE TAX	-1	30	-38	8
Income taxes ²⁾	-4	-6	-9	-26
PROFIT AFTER TAX	-6	24	-47	-18
TOTAL OTHER INCOME				
ITEMS THAT WILL BE RECLASSIFIED TO PROFIT AND LOSS WHEN SPECIFIC CONDITIONS ARE MET				
Translation differences in foreign operations	5	5	-9	13
Cash flow hedges	-1	3	-1	0
Change in fair value of financial assets available for sale	-25	0	32	0
Income tax relating to items above	6	-1	-7	0
TOTAL OTHER INCOME FOR PERIOD	-16	8	15	14
TOTAL PROFIT/LOSS FOR PERIOD	-21	32	-32	-5
Of which attributable to the parent company's shareholders	-21	32	-32	-5
Earnings per share, SEK	-355	1 476	-2 890	-1 131
1) Change in provisions external costs and personnel costs	-2 1	3 3	0 2	3 8

²⁾ Estimated tax during the year. Final tax at year end.

CONSOLIDATED BALANCE SHEET

Amount in MSEK	2017-12-31	2016-12-31
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	63	69
Tangible assets	609	703
Other securities held as non-current assets	52	20
Deferred tax assets	2	2
TOTAL NON-CURRENT ASSETS	725	794
CURRENT ASSETS		
Inventories	5	10
Current receivables	224	276
Cash and cash equivalents	166	169
TOTAL CURRENT ASSETS	395	455
TOTAL ASSETS	1 120	1 249
Amount in MSEK	2017-12-31	2016-12-31
EQUITY AND LIABILITIES		
EQUITY		
Share equity	33	33
Other reserves	38	23
Retained earnings including profit for the period	388	435
TOTAL EQUITY ATTRIBUTABLE TO HOLDERS OF THE PARENT COMPANY	458	490
TOTAL EQUITY	458	490
NON-CURRENT LIABILITIES		
Interest bearing liabilities	223	380
Other liabilities	124	87
Provisions	4	2
Deferred tax liability	7	11
TOTAL NON-CURRENT LIABILITIES	359	480
CURRENT LIABILITIES		
Interest bearing liabilities	90	-
Short-term non-interest bearing liabilities	209	272
Provisions	3	7
TOTAL CURRENT LIABILITIES	303	279
TOTAL EQUITY AND LIABILITIES	1 120	1 249

CONSOLIDATED STATEMENT OF CASH FLOW

Amount in MSEK	2017	2016
OPERATING ACTIVITIES		
Cash flow from operations	105	59
Change in working capital	-9	21
CASH FLOW FROM OPERATING ACTIVITIES	97	80
INVESTING ACTIVITIES		
Investments in intangible assets	-2	-4
Investments in tangible assets	-42	-81
Sale of subsidiary, net liquidity impact	6	3
CASH FLOW FROM INVESTING ACTIVITIES	-37	-82
CASH FLOW AFTER INVESTMENTS	60	-2
CASH FLOW FROM FINANCING ACTIVITIES	-59	73
CASH FLOW FOR THE YEAR	0	71
Cash and cash equivalents at the beginning of the year	169	93
Currency gains/losses in liquid assets	-4	5
CASH AND CASH EQUIVALENTS, END OF THE YEAR	166	169

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amount in MSEK	Equity attributable to holders of the parent company			
	Share capital	Reserves	Retained earnings	Total equity
OPENING BALANCE 1 JANUARY 2016	33	9	453	495
Dividend for 2015			-	-
Income for the period		14	-18	-5
CLOSING BALANCE 31 DECEMBER 2016	33	23	435	490
OPENING BALANCE 1 JANUARY 2017	33	23	435	490
Dividend for 2016			-	-
Income for the period		15	-47	-32
CLOSING BALANCE 31 DECEMBER 2017	33	38	388	458

NET SALES, MARKET DISTRIBUTION

	2017	2016
THE GROUPS NET SALES IS ATTRIBUTED TO THE FOLLOWING MARKET AREAS		
Sweden	11%	18%
Europe excl. Sweden	61%	56%
Asia	10%	9%
America	17%	16%
Other Markets	1%	1%

KPI:s SSC GROUP

	2017	2016
Return on equity	-10%	-4%
Equity ratio	41%	39%
Return on Invested Capital	-2%	2%
Net Debt Equity ratio	0,32	0,43

PARENT COMPANY INCOME STATEMENT

Amount in MSEK	2017 OCT-DEC	2016 OCT-DEC	2017 JAN-DEC	2016 JAN-DEC
Net sales	124	129	426	491
Other revenues	4	16	10	21
External expenses ¹⁾	-66	-74	-315	-273
Personnel costs ¹⁾	-51	-61	-201	-226
Amortizations and depreciations	-11	-10	-42	-38
OPERATING PROFIT	0	1	-122	-25
Financial income and expenses	-3	-6	3	-31
PROFIT BEFORE TAX	-3	-5	-119	-56
Dispositions	-29	-25	-29	-25
Income taxes ²⁾	0	6	13	6
PROFIT AFTER TAX	-31	-23	-135	-75
TOTAL OTHER INCOME				
ITEMS THAT WILL BE RECLASSIFIED TO PROFIT AND LOSS WHEN SPECIFIC CONDITIONS ARE MET				
Cash flow hedges	-1	3	-1	0
Change in fair value of financial assets available for sale	-25	0	32	0
Income tax relating to items above	6	-1	-7	0
TOTAL OTHER INCOME FOR PERIOD	-20	3	24	0
TOTAL PROFIT/LOSS FOR PERIOD	-51	-20	-111	-75

¹⁾ Change in provisions external costs and personnel costs

	-2	-1	-1	1
	1	-2	2	2

²⁾ Estimated tax during the year. Final tax at year end.

PARENT COMPANY BALANCE SHEET

Amount in MSEK	2017-12-31	2016-12-31
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	13	14
Tangible assets	322	335
Other securities held as non-current assets	342	352
Deferred tax assets	37	31
TOTAL NON-CURRENT ASSETS	715	731
CURRENT ASSETS		
Inventories	3	3
Current receivables	159	223
Cash and cash equivalents	34	90
TOTAL CURRENT ASSETS	196	317
TOTAL ASSETS	911	1 048
Amount in MSEK	2017-12-31	2016-12-31
EQUITY AND LIABILITIES		
EQUITY		
Share equity	33	33
Other reserves	7	7
Fund for intrinsic value	25	1
Retained earnings including profit for the period	75	210
TOTAL EQUITY	139	250
UNTAXED RESERVES	168	140
NON-CURRENT LIABILITIES		
Interest bearing liabilities	223	380
Other liabilities	124	87
Provisions	3	-
TOTAL NON-CURRENT LIABILITIES	350	467
CURRENT LIABILITIES		
Interest bearing liabilities	90	-
Short-term non-interest bearing liabilities	161	185
Provisions	2	6
TOTAL CURRENT LIABILITIES	254	191
TOTAL EQUITY AND LIABILITIES	911	1 048

PARENT COMPANY STATEMENT OF CASH FLOW

Amount in MSEK	2017	2016
OPERATING ACTIVITIES		
Cash flow from operations	18	7
Change in working capital	-46	11
CASH FLOW FROM OPERATING ACTIVITIES	-28	18
INVESTING ACTIVITIES		
Investments in intangible assets	-1	-2
Investments in tangible assets	-28	-59
Sale of subsidiary, net liquidity impact	7	3
Investments in financial assets	53	42
CASH FLOW FROM INVESTING ACTIVITIES	32	-16
CASH FLOW AFTER INVESTMENTS	4	2
CASH FLOW FROM FINANCING ACTIVITIES	-59	64
CASH FLOW FOR THE YEAR	-55	66
Cash and cash equivalents at the beginning of the year	90	24
Currency gains/losses in liquid assets	-2	0
CASH AND CASH EQUIVALENTS, END OF THE YEAR	34	90

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Amount in MSEK	Share capital	Other reserves	Hedge reserves	Retained earnings	Total equity
OPENING BALANCE 1 JANUARY 2016	33	7	0	285	325
Dividend for 2015				-	-
Income for the period			0	-75	-75
CLOSING BALANCE 31 DECEMBER 2016	33	7	1	210	250
OPENING BALANCE 1 JANUARY 2017	33	7	1	210	250
Dividend for 2016				-	-
Income for the period			24	-135	-111
CLOSING BALANCE 31 DECEMBER 2017	33	7	25	75	139

NOTE 1 ACCOUNTING PRINCIPLES

This interim 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 2017, 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 2016, see NOTE 1, pages 29-41.

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

NOTE 4 KPI DEFINITIONS

Return on Equity is calculated as Profit after tax divided by average Equity.

Equity ratio is calculated as Equity as a percentage of total assets.

Return on invested capital is calculated as operating profit divided by average invested capital.

Bet Debt equity ratio is calculated as liquid assets minus interest bearing liabilities divided by equity.

NOTE 6 INFORMATION ABOUT DIVESTED SUBSIDIARIES

ON 6 July 2017 SSC divested the subsidiary ECAPS AB to Bradford Engineering Holding Company Ltd.

The divestment is in line with SSCs strategical direction to focus on advanced space services.

The loss of the divestment amounted to -63 MSEK and is accounted for as external costs.

UPCOMING FINANCIAL REPORTS

The Annual report for 2017 will be published March 29, 2018

The date of the AGM is determined to be April 24, 2018.

The interim report for the first quarter 2018 will be published April 30, 2018.

This Year-end report is an abstract and a translation of the Bokslutskommuniké, which is a Swedish official publication. The Bokslutskommuniké has been signed by the Board of directors.

Questions about the Year-end report can be addressed to Head of Group accounting Kerstin Bergqvist, +46 8 627 62 00