Annual Report 2017

GOMSPACE

N.B. The English text is an unofficial translation and in case of any discrepancies between the Swedish text and the English translation, the Swedish text shall prevail.

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NASDAQ CONGRATULATES CEO
FROM THE FIRST NORTH LISTED
COMPANY GOMSPACE
NIELS BUUS IS AWARDED
LEADER OF THE YEAR 2017
Nasdaq
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Message from the CEO

The year 2017 was very impressive for GomSpace. At the beginning of the year, we secured the largest order in the nanosatellite business to date, this is going to be delivered over four years. Our order base is however diverse, we delivered more than 150 orders distributed on approximately 100 customers during the year.

Our growth was higher than our plans. Therefore, we decided to scale our organization more than originally planned. During the year, the number of employees grew from 77 to 176 (by the end of the year). Along with that we also strengthened our management team with people who have experience from previous positions with this kind of challenges.

The result for 2017 was a loss of T.SEK 53,989 and the gross margin was 28%. The reduction in gross margin is in particular related to the large onboarding and investment in our facilities.

The satellite business segment is also developing. In the beginning space was characterized by building prototype satellites and sending these into space whereas the business is now moving towards constellations of many satellites. As a consequence of that we are building a new production area where we are working towards being able to manufacture "one satellite a day" – as the first in the nanosatellite business. We believe this move will place us in front when it comes to manufacturing many satellites at an industrial scale and at low costs.

It is also important to note that we received grants from Innovation Fund Denmark for two of our projects during the year; MegaMan which aims to develop a constellation management system, and MARS 2 which aims to develop new radio components that will enable us to make broadband satellite constellations.

Last but not least, we have established three subsidiaries in 2017 as part of our business plan and in order to capitalize on market growth. The subsidiaries were established in Singapore, USA and Luxembourg, the last-mentioned with the intention of adding a service element to our offerings. A constellation management system will be established and we will be able to offer our customers a full range of services; anything from launches, insurances and approvals to managing the constellations.

On 8 March, we were pleased to welcome a number of new shareholders. Through a directed issue of new shares, we raised T.SEK 125,000, these shares were issued to a limited number of Swedish and international institutional investors. Proceeds from this are intended to be used for financing and facilitating the accelerated expansion, nearby acquisition opportunities as well as developing GomSpace, its markets and its products.

With the best regards

Niels Buus
CEO

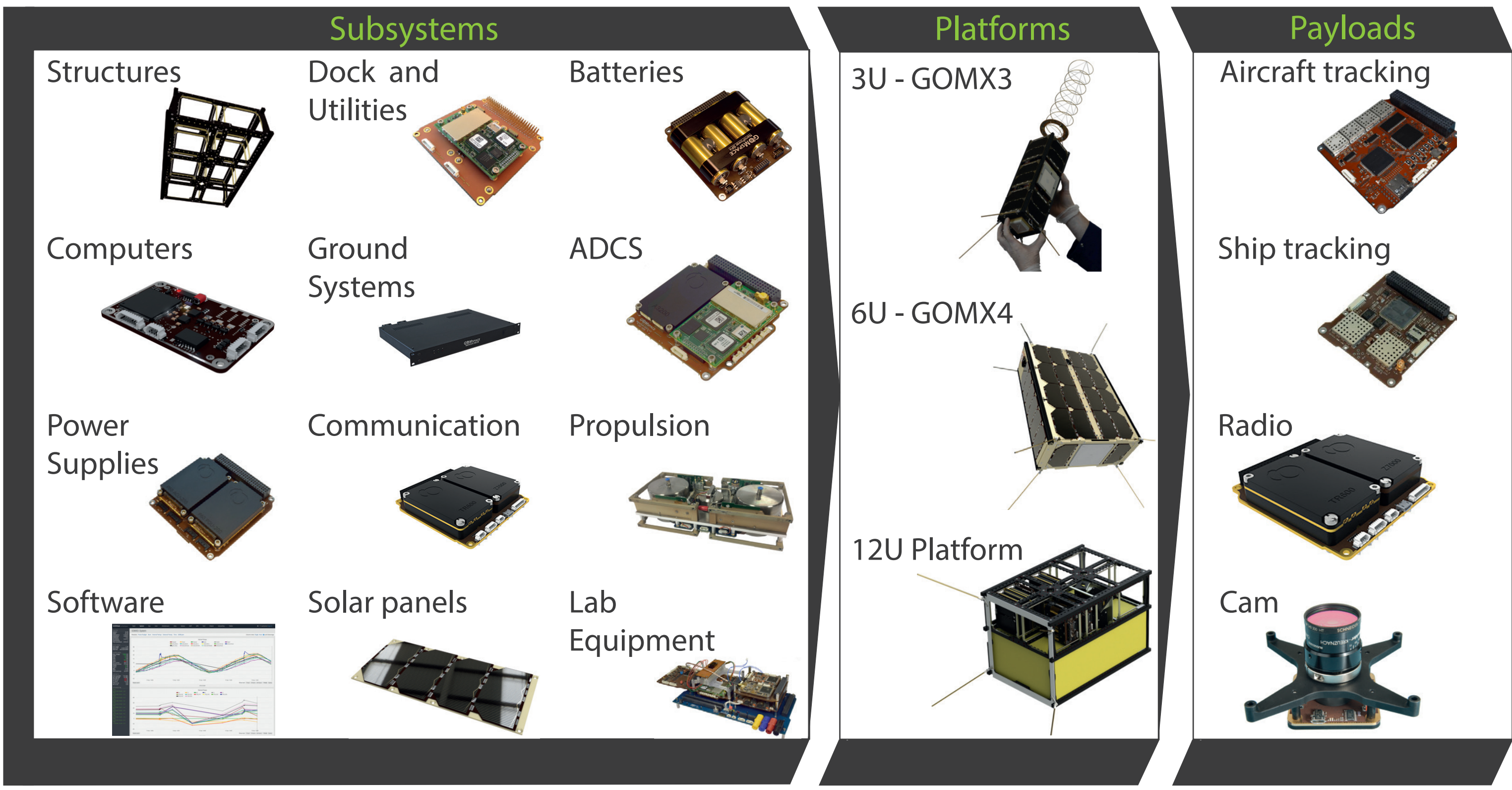
GomSpace at a Glance

Mission
We help teams across the globe achieve their goals in space.

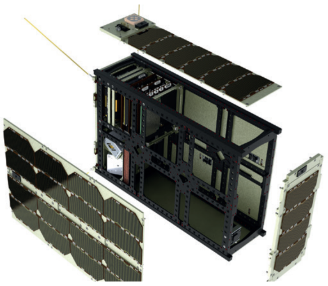
Vision
To make nanosatellites the preferred choice for customers who have demands for professional mission critical radio based surveillance and communications solutions.

Core strategy
Independent horizontal supplier of technology for commercial service providers and government, education and research institutions – and spin-out activities in new untouched domains.

BUSINESS MODEL



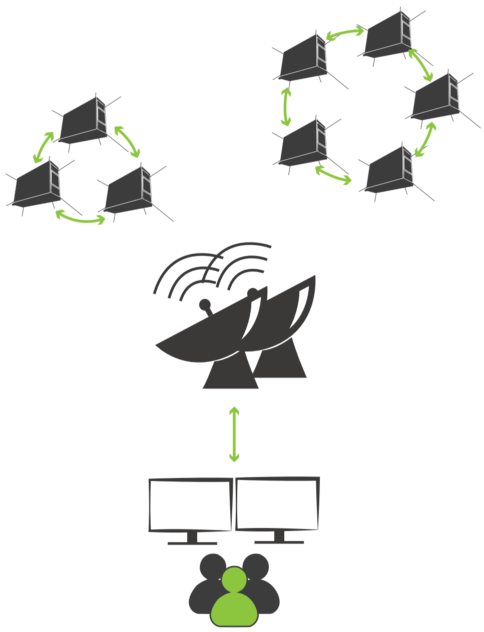
Additional services



We develop new capabilities according to customer needs

We assist our customers in relation to the launch, i.e. we do all the planning

Constellation Management



With a multi constellation management system we help our customers' deliver data products to their end-users

Business segments

Academia

Science

Defense

Commercial

Management's Review

The Board of Directors and Chief Executive Officer of GomSpace Group AB (publ), corporate ID no. 559026-1888, with registered office in Stockholm, Sweden, hereby present the annual accounts of the parent company and group for the financial year 2017. Numerical information stated in brackets in these annual accounts are comparative figures with the financial year 2016 or the reporting date of 31 December 2016.

Ownership

GomSpace A/S, NanoSpace AB, GomSpace Orbital ApS, GomSpace ASIA Pte Ltd, GomSpace North America LLC and GomSpace Luxembourg S.A.R.L. are the operating companies of the GomSpace Group, GomSpace Group AB is the holding company and listed on Nasdaq First North Premier in Stockholm.

The Group consists of GomSpace Group AB (Reg. No. 559026-1888), GomSpace A/S (Reg. No. 30899849), NanoSpace AB (Reg. No. 556643-0475), GomSpace Orbital ApS (Reg. No. 38173561), GomSpace ASIA Pte Ltd (Reg. No. 201707094C), GomSpace North America LLC (Reg. No. S667083-2) and GomSpace Luxembourg S.A.R.L. (No. 1008250/0).

Information concerning operations

The overall purpose of GomSpace is to manufacture nanosatellites as well as components and turn key solutions for satellites.

Management's Review (continued)

Multi-year overview

	2017 T.SEK	2016 T.SEK	2015 T.SEK	2014 T.SEK	2013 T.SEK
THE GROUP					
Net revenue	96,405	54,142	34,087	26,645	9,720
Gross profit	26,884	25,201	17,195	11,029	3,647
Operating profit (loss)	-67,610	-14,510	-2,357	1,762	242
Share of profit from associates	4,591	21,386	-	-	-
Net financial items	-3,496	-1,389	-766	-178	-200
Profit (loss) after financial items	-66,515	5,487	-3,123	1,584	42
Profit (loss) for the year	-53,989	8,981	-2,369	1,224	16
Investments in intangible assets	38,908	21,848	5,489	747	1,329
Investments in PPE	18,500	6,447	543	528	173
Total assets	313,069	209,093	30,067	19,051	10,372
Equity	185,315	146,106	13,816	7,721	6,038
Total liabilities	127,754	62,987	16,251	11,330	4,334
Cash flow from operating activities	-8,406	-17,368	-11,228	-1,128	2,495
Cash flow from investing activities	-79,940	-14,972	-6,062	-1,275	-1,502
Cash flow from financing activities	110,018	105,275	12,714	5	5
Cash and cash equivalents	84,170	59,803	1,268	1,539	1,806
Working capital	-23,606	7,399	13,821	4,580	-26
RATIOS					
Gross margin (%)	28%	47%	50%	41%	38%
Operating margin (%)	-70%	-27%	-7%	7%	2%
Net margin (%)	-56%	17%	-7%	5%	0%
Return on invested capital	-17%	4%	-8%	6%	0%
Return on equity	-33%	13%	-22%	18%	0%
Equity ratio (%)	59%	70%	46%	41%	58%
Earnings per share, basic	-2.09	0.62	-	-	-
Earnings per share, diluted	-2.08	0.62	-0.17	0.09	0.00
Average number of employees	119	45	30	16	8
Number of outstanding shares, average	25,805,411	14,592,504	-	-	-
Number of outstanding shares, average based on same method as in the combined financial statements 2013-2015	-	-	13,907,334	13,907,334	13,907,334
Number of outstanding shares as at 31 December 2017	26,257,334	24,507,334	-	-	-

The transaction under which GomSpace Group AB became the holding company of GomSpace A/S was a group reorganisation with no changes in the ultimate ownership of the group and all the shareholdings in GomSpace A/S were exchanged via a share-for-share exchange. GomSpace Group AB did not actively trade at that time. The Group reorganisation took place on 28 April 2016. The consolidated financial statements have therefore been presented as a continuation of GomSpace A/S' business.

Management's Review (continued)

Multi-year overview (continued)

	2017 T.SEK	2016 T.SEK
THE PARENT COMPANY		
Net revenue	21,482	1,708
Operating profit (loss)	-6,367	-6,138
Net financial items	1,999	-230
Profit (loss) for the year	-2,112	-6,368
Total assets	224,875	153,451
Equity	223,349	129,397
Total liabilities	1,526	24,054
RATIOS		
Operating margin (%)	-30%	-359%
Net margin (%)	-10%	-373%
Return on invested capital	-1%	-4%
Return on equity	-1%	14%
Equity ratio (%)	99%	85%
Earnings per share, basic	-0.08	-0.44
Earnings per share, diluted	-0.08	-0.44

The parent company was established on 11 September 2015.
Definition of key figures and ratios are defined in Note 1.

The financial year 2017 had much to offer. We had a large onboarding of new employees, we went from 45 full-time employees at the end of 2016 to 119 a year later (average number of employees) and as a consequence we relocated to new premises during the summer. It was also the year we entered into one of the largest agreements in the industry to date, the delivery of a constellation of satellites to Sky and Space Global (UK) Ltd.

Major events in 2017

Delivery of a constellation of satellites to Sky and Space Global (UK) Ltd.

At the beginning of the year, GomSpace entered into a procurement contract with Sky and Space Global (UK) Ltd. to develop and deliver a constellation of satellites within a 4-year period. The first delivery of satellites will be in 2018 and revenue will be distributed over the term of the agreement. The total value of this order depends on several options including development, services and choice of satellites and will therefore range between approximately EUR 35.0 and 55.0 million. At the beginning of November, an amendment to the initial contract was signed. This additional order contains further development to increase the capabilities of the satellites and the value is between EUR 13 to 15 million.

Private placement at SEK 95 million through issuance of 1.75 million new shares

1.75 million new shares at a price of SEK 54.5 per share were issued at the beginning of May. The price was established through a so-called "accelerated book-building" procedure and the new share issue was directed to selected Swedish and international institutional investors. The purpose of this procedure was to strengthen the Company's financial position in a short timeframe. The proceeds from the private placement will be used to finance and facilitate accelerated expansion, nearby acquisition opportunities and development of GomSpace, its market and its products. The private placement resulted in gross proceeds to the Company at an amount of SEK 95 million (before transaction related costs).

Management's Review (continued)

Application and deployment of space-based VHF communications for air traffic management in Singapore

In the summer of 2017, Gomspace, The Civil Aviation Authority of Singapore (CAAS) and Singapore Technologies Electronics Limited (ST Electronics) signed a Memorandum of Understanding (MOU) to explore the application and deployment of space-based Very High Frequency (VHF) communications for air traffic management in and around the Singapore Flight Information Region. The purpose is to bring communication to the next level and thereby complement the existing ground-based equipment. The VHF communications equipment will be mounted onto a constellation of low-earth-orbit satellites to enable clear, cost-effective and real-time communications between air traffic controllers and pilots anywhere and the technology will improve safety and enable the safe reduction in separation between aircraft in airspace where ground-based VHF communications is currently not available.

Aerial & Maritime Ltd. secures additional USD 5.0 million investment

In the autumn of 2017, the associated company Aerial & Maritime Ltd. secured an additional investment of USD 5.0 million from a group of investors to scale up the nanosatellite network. Thereby the company has now secured a total funding of USD 12.2 million. The investment has secured an expansion of the constellation from 4 to 8 nanosatellites and the company now has a solid foundation from which it can accelerate the development of its plans to scale the service offering from equatorial coverage starting in 2018 to a full global coverage with an estimated total of 80 nano-satellites in different orbits by 2021. As Aerial & Maritime Ltd. is a spin off company, the ownership share has altered from 47% to the current 39% as a result of the above.

GomSpace secures new innovation project from Innovation Fund Denmark to develop network management technology which targets operations and management of large satellite constellations

Along with the consortium 2operate A/S and Aarhus University, GomSpace was awarded a research and development contract by Innovation Fund Denmark. The aim is to develop and manage a large satellite constellation. The value of this contract is DKK 2,500,000 to GomSpace and the project will be executed over a period of 24 months.

Market Development

Nano- and micro-satellites are having a disruptive effect on the markets as the technology brings competitive advantages in terms of low cost and high flexibility to address many business areas, incl. areas that were previously considered niche areas and areas which did not previously justify an investment in space-based infrastructure.

2017 saw a new record of more than 300 satellites smaller than 50kg launched; this is compared to the 100 satellites that were launched in 2016. Of last year's satellites 75% now target commercial applications in contrast to earlier years where nanosatellite missions have been more focused on education and basic technology development.

A significant portion of the satellites relates to Planets Earth Observation constellation, but communication services is growing very rapidly with 22% of last year's satellites vs. 4% historically.

Generally, when measuring nanosatellites by launch mass the mass is getting slightly larger which is in line with GomSpace's development efforts as operational requirements increase the need for power generation and design margins.

More than 6,200 small satellites are expected to be launched over the next 10 years, driven by anticipated roll-out of multiple constellations – mainly for commercial operators – which is expected to account for more than 70 percent of that total*. The market is expected to grow at a Compound Annual Growth Rate (CAGR) of 23.7% from USD 1.21 billion in 2017 to USD 3.49 billion in 2022**.

As a pioneer and innovator in the market, GomSpace, through its own actions, is a significant force in driving the growth in the market as our investments in satellite platform technology, network technology and payload technology enable new opportunities for our customers. This has for instance been demonstrated in our activities related to space-based aircraft tracking.

The market growth is expected to be driven by earth observation and radio applications to customers in the Commercial, Civil (science and non-profit service) and Defence areas **.

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* Satellitetoday: http:///www.satellitetoday.com/newspace/2017/08/14/total-smallsat-market-reach-30-billion-10-years/
** MarketsAndMarkets:: http:///www.marketsandmarkets.com/Market-Reports/nanosatellite-and-microsatellite-market-130496085.html

Management's Review (continued)

We expect GomSpace's growth to remain significantly above the market CAGR due to:

- Our focus on radio technology-related missions which in general scale to constellations with more satellites than other application areas.
- Our market traction with contracts to leading constellations customers, incl. Sky and Space Global Ltd., AISTECH as well as Aerial and Maritime Ltd.
- Our investments in increasing our international activities in growth markets, incl. establishment in the US (51% market, 24% CAGR **) and Singapore (Asia: 15% of market, 22% CAGR **).
- Our continued investments in new technology and products to demonstrate and enable new applications.

Further, our announcement to establish satellite operations services out of Luxembourg over time will extend the scope of our offerings to address a larger part of the value chain and through new products it will ensure that the scalability of satellite operations will not become a bottleneck for the market development.

Many new applications and opportunities for nanosatellites will be developed in the coming years, both due to our investments (see Product Development section) and the estimated over 200 academic and commercial organizations world-wide doing research in this area.

Product Development

During 2017, we have progressed on developing competitive nanosatellite platforms as well as further developing engineering competencies and industrial manufacturing capabilities for satellites.

We have developed platforms with deployable tracking solar panels, a high-capability electronic power-system, improved reaction-wheels and a state-of-the-art gas propulsion system. The 8U platform is fully modular and in line with our continued effort to increase the capabilities of the satellites to accommodate a broad range of customer needs.

Regarding the payload, we are improving the onboard processing capability using microcontrollers having the highest ratio of performance relative to power consumption. Focus in our product platform development is to be responsive to customer and market requirements. This is driven by the need to use satellites as routing devices in satellite constellations as well as need for future extraction and compression of surveillance data.

To increase the capabilities of the satellites, we are expanding our portfolio of radio solutions to other than VHF, UHF and S band frequencies. We initiated the development of radio products for higher frequencies thus increasing data bandwidth.

For our nanosatellite products to meet the needs of our professional users, we are carrying out a number of design and process optimization programs. These activities are supporting a continued improvement in reliability, availability and operational lifetime of our solutions.

For 2018, the focus in R&D and product development will be to execute on the activities above. We will further optimize our modular hardware and software product platforms to meet individual customer needs. We will continue to make partnerships on technology development with universities and technology institutes to leverage our own competencies and funding to speed up development.

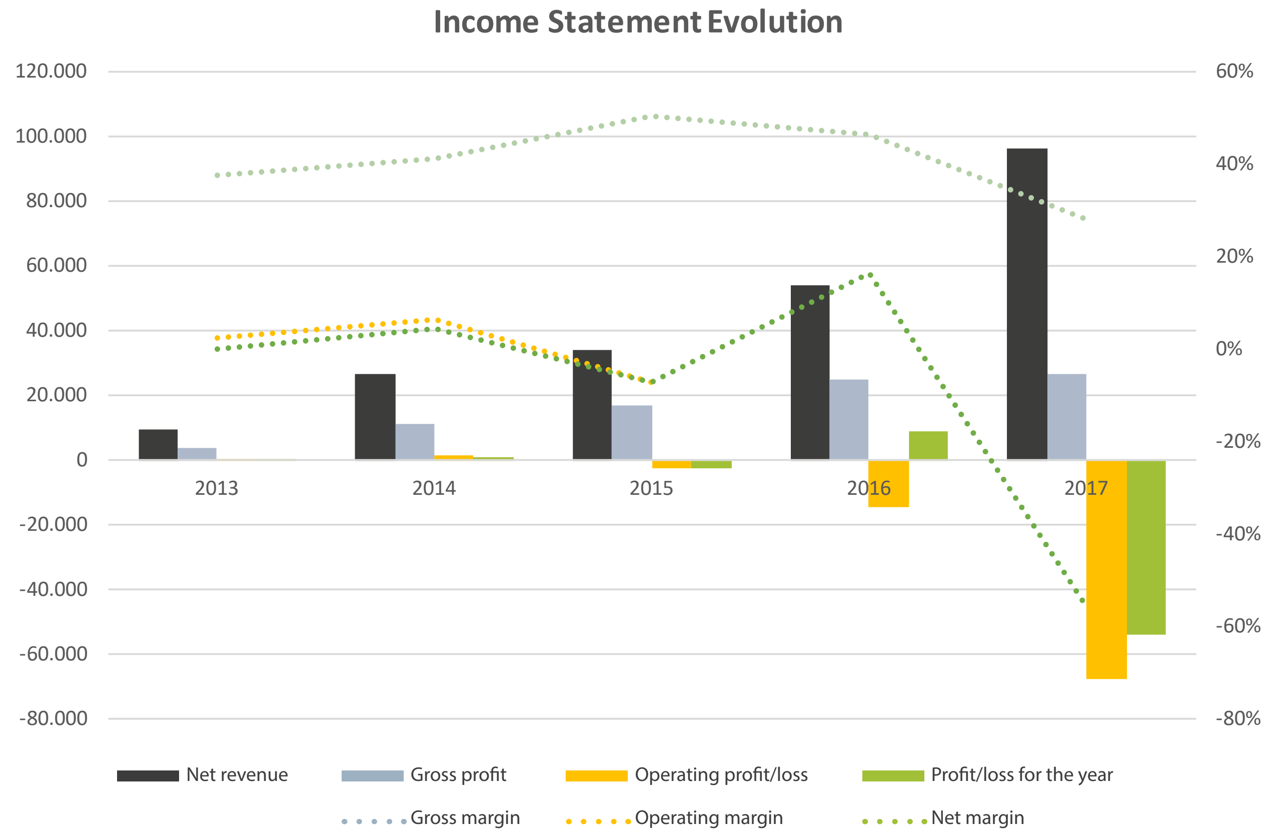
Financial Review

The result for 2017 was a loss of T.SEK 53,989 compared to a profit of T.SEK 8,981 in 2016. The operating loss was T.SEK 67,610 and as at 31 December 2017 equity was T.SEK 185,315 compared to T.SEK 146,106 last year.

The result after a growth in revenue at 78% is above our target whereas a gross margin at 28% is under our growth targets. The low gross margin is influenced by our rapid building of our business as well as the large onboarding of new employees.

** MarketsAndMarkets:: http:///www.marketsandmarkets.com/Market-Reports/nanosatellite-and-microsatellite-market-130496085.html

Management's Review (continued)



Revenue
Revenue for the year amounted to T.SEK 96,405 (54,142), corresponding to an increase of 78% compared with 2016.

Sales to new customers in 2017 represented the equivalent of 31% of revenues.

Expenses
Operating expenses for the year amounted to T.SEK 164,015 (68,652), corresponding to an increase of 139%. In 2017, sales, distribution, development and administrative costs increased to T.SEK 94,494 (39,711), corresponding to an increase of 138%.

Profitability
For 2017, gross profit amounted to T.SEK 26,884 (25,201), corresponding to an increase of 7% compared with the same period in 2016.

The gross margin is 28% (47%).

Share of profit from associates
Share of profit from associates amounts to T.SEK 4,591. The amount comprises share of loss at T.SEK 1,859 as well as a fair value adjustment of the gain on the partial disposal of Aerial & Maritime Ltd. at an amount of T. SEK 6,450.

Tax and deferred tax
During 2017, the group recognized a deferred tax asset at a total amount of T.SEK 20,249 relating to tax loss carry-forward.

The Group had an effective tax rate of 18.8% (a negative 63.7%) in 2017.

Management's Review (continued)

Shareholder's equity
As at 31 December 2017, total shareholders' equity amounted to T.SEK 185,315 against T.SEK 146,106 at 31 December 2016. During the period, there is a retail transaction cost in relation to the initial public offering of T.SEK 550. On 5 April, the Group issued 1.75 million new shares and received T.SEK 95,376. Cost in relation to increasing capital amounts to T.SEK 4,904 and is deducted in the share premium.

Investments
Investments in intangible assets in relation to in-house development amounted to T.SEK 38,908 (6,048) for 2017. Investments in property, plant and equipment amounted to T.SEK 18,500 (6,447). In 2017, major investments in property, plant and equipment were related to the relocation to the new premises during the summer, including acquisition of office furniture which constituted 50% of the investments. We also had a large onboarding during 2017, and therefore we made extensive investments in minor IT acquisitions as well as investments were made in equipment for the R&D and production areas.

Cash and cash equivalents, financing and financial position
Cash flow from operating activities amounted to a negative T.SEK 8,406 (a negative 17,368) during the year 2017. Cash flow from investing activities amounted to a negative T.SEK 79,940 (negative 14,972). Cash flow from financing activities amounted to T.SEK 110,018 (105,275) in 2017. Cash and cash equivalents amounted to T.SEK 84,170 (59,803) at the end of the year. GomSpace Group's working capital totalled T.SEK 23,606 (a negative 7,399).

Receivables amount to T.SEK 30,765 (13,933), corresponding to an increase of T.SEK 16,832.

Other non-financial information
Remuneration and other employment terms for senior executives
Information can be found in notes 4 and 5.

Employees
As at 31 December 2017, GomSpace Group AB had 176 (77) employees, corresponding to 119 (45) full-time/year employees. Employees working within cost of goods sold and in development, totalled 132 (52), with sales and distribution 16 (12), and in the administration there were 28 (13) employees.

Risk Management
Due to its activities, the Group is exposed to various financial risks, including changes in foreign currency, interest, liquidity and credit risks. The Group manages the risks centrally and follows the policies approved by the Board of Directors. For further information, please see note 24 Financial risks.

Given the circumstances that the Company is a newly established company with no history of conducting any business operations, the risk factors set forth below are primarily associated with the subsidiaries GomSpace A/S, Nanospace AB, GomSpace Orbital ApS, GomSpace ASIA Pte Ltd, GomSpace North America LLC and GomSpace Luxembourg S.A.R.L. as well as the associated company Aerial & Maritime Ltd. and their currently conducted business operations. Notwithstanding, it is expected that the Company will be subject to the same risks as GomSpace A/S historically has been subject to. The described risks are not stated in any priority or other particular order, and are not described in detail; however, they are assessed to comprise the principal risks for the Company's future development. Some of the below described factors are not possible for the Company to control, either in part, or at all, however, all of the below described risks may, if occurring, have an adverse impact on the Group´s business, financial position and profits in the future. Moreover, there are risks currently unknown to the Company that may have an adverse impact on the Group.

New and emerging market
The nanosatellite market is complex, relatively new and growing. Even though the Group has experienced an increasing demand the market may stagnate, or even cease to exist. Moreover, the market could develop in a way that the Company is not able to adapt to and the Company may face competition or not be able to ensure the right positioning on the market.

Management's Review (continued)

Risks relating to early stage of development and future funding

Historically, the Group has not been able to generate sufficient cash flow to satisfy its working capital requirements and has been reliant on external financing. There is a risk that the Company will record operating losses, or at least not be able to generate enough profits to finance its activities. As a result, the Group would continue to be dependent on financing from external sources.

Risks related to development projects

In relation to development projects there is a risk that it will not have the expected potential and that the demand fails. In addition, there are certain risks related to the technology and the useful life of the outcome of the development project.

Key personnel

The Company is largely dependent on its ability to retain and attract skilled personnel with relevant expertise and knowledge. There is a risk that the Group could lose or not be able to attract skilled personnel.

Risks relating to the quality of the product

The Company is reliant on its ability to develop and deliver products of a certain quality and there is a risk that the Company will be unable to meet the demands of its customers in relation to quality and expectation. As of today, the Group is performing service and maintenance in small scale but is planning to expand its operations within these areas and there is a risk that such expansion will not be successful.

Risks relating to reconstruction of the premises

When deciding to reconstruct the premises in order to accommodate an expected market demand, this is also related to uncertainty as the outcome of the reconstruction may not meet our expectations or the market demand fails.

Competition

Only limited information relevant to assess competitors is publicly available and therefore the Company cannot be certain of its market share or the position of its competitors in terms of technology and products. Competitors may be ahead of the Company and may have greater financial resources compared to the Company.

Risks relating to suppliers

The Company has entered written framework agreements with some suppliers and in relation to this there is a risk of high dependence on individual suppliers.

Risks relating to customers

The Group's customers are both public and private enterprises. Customer agreements are mainly entered into for specific and isolated orders and there are no framework agreements or the like that would ensure repeated orders and future sales. It is important to observe that the customers are fairly even distributed and that the Company does not depend too much on individual large customers.

Risks relating to new subsidiaries

The Company has expanded its activities in 2017 with new subsidiaries in Singapore, USA and Luxembourg. This entails a certain risk as there are high costs related to this, though it is uncertain if our venture into these markets/ business areas will have the desired effect.

Risks in relation to spin out activities

The outcome of spin out activities is related to some risk as this may not fulfill the desired business strategy and turn out to be unsuccessful.

Management's Review (continued)

Risks relating to intellectual property rights and trade secrets

The Group is not dependent on any registered intellectual property rights. Intellectual property rights are developed by employees or in cooperation with third parties. There is a risk for miscalculating the importance of intellectual property rights and thereby not securing such rights. In addition, the right to certain intellectual property rights might be uncertain or contested. There is also a risk that trade secrets which are not covered by intellectual property rights cannot be protected.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Consolidated Financial Statements have not been subject to any uncertainty.

Unusual events

The financial position at 31 December 2017 of the Group and the results of the activities and cash flows of the Group for the financial year 2017 have not been affected by any unusual events.

Subsequent events

Subsequent to the balance sheet date, T.SEK 125,000 were raised through a directed new issue of shares on 8 March 2018. The new share issue was directed to a limited number of Swedish and international institutional investors and the entire amount of T.SEK 125,000 has been paid. Apart from this, no material events have occurred subsequent to the balance sheet date.

Parent Company

The parent company had total revenues of T.SEK 21,482 (1,708) for the year 2017. The parent company incurred total costs of T.SEK 27,849 (7,846) for the year 2017. A total of T.SEK 5,454 is attributable to the capital increase and has been deducted from the share premium. The operating result for the year 2017 is a negative T.SEK 6,367 (a negative 6,138). The net loss for the year 2017 is T.SEK 2,112 (a net loss of 6,368).

Tax and deferred tax

The Parent Company, GomSpace Group AB, had a non-recognized deferred tax loss carry-forward at a total amount of T.SEK 6,161 as well as a recognized deferred tax asset at a total amount of T.SEK 2,255 relating to tax loss carry-forward, the main part of this amount is attributable to last year.

The Board of Directors' decision on items for the Annual General Meeting

Distribution of profit (loss) for the year

The following funds are at the disposal of the parent company (SEK):

	2017
Share premium	223,622,231
Profit (loss) for the year	-2,112,753
	221,509,478
To be disbributed as follows:	
Paid out as dividend	0
Carried forward	221,509,478
	221,509,478

The Board of Directors is proposing to the Annual General Meeting that no dividend is paid for the financial year 2017.

Consolidated Income Statement

	Note	2017 T.SEK	2016 T.SEK
Net revenue	3	96,405	54,142
Cost of goods sold	4,5,6	-69,521	-28,941
Gross profit (loss)		**26,884**	**25,201**
Sales and distribution costs	4,5,6	-30,996	-15,473
Development costs	4,5,6	-25,277	-6,812
Administrative costs	4,5,6	-38,221	-17,426
Operating profit (loss)		**-67,610**	**-14,510**
Share of profit from associates	14	4,591	21,386
Finance income	8	4,077	525
Finance expenses	9	-7,573	-1,914
Profit (loss) before tax		**-66,515**	**5,487**
Tax	10	12,526	3,494
Profit (loss) for the year		**-53,989**	**8,981**
Profit (loss) is attributable to			
Owners of GomSpace Group AB (publ)		-53,989	8,981
		-53,989	**8,981**

Consolidated Statement of Comprehensive Income

	Note	2017 T.SEK	2016 T.SEK
Profit (loss) for the year		**-53,989**	**8,981**
Items which may be reclassified to the income statement:			
Foreign exchange rate adjustment, subsidiaries		199	809
Foreign exchange rate adjustment, associates		-3,669	81
Gain on partial disposal of shares, associates		603	0
Other comprehensive income for the year, net of tax		**-2,867**	**890**
Total comprehensive income for the year		**-56,856**	**9,871**
Total comprehensive income for the year is attributable to:			
Owners of GomSpace Group AB (publ)		-56,856	9,871
		-56,856	**9,871**
Earnings per share, basic	22	-2.09	0.62
Earnings per share, diluted	22	-2.08	0.62

Consolidated Statement of Financial Position

	Note	2017 31 DEC T.SEK	2016 31 DEC T.SEK
Goodwill	11	3,710	3,710
Intangible assets	11	62,364	27,347
Intangible assets		**66,074**	**31,057**
Property, plant and equipment	12	21,333	6,365
Investments in associates	14	41,892	36,723
Deferred tax	15	9,297	4,828
Other non-current assets	16	3,376	0
Total non-current assets		**141,972**	**78,973**
Inventories	17	9,763	4,266
Contract work	18	22,237	28,237
Trade receivables	19	30,765	13,933
Tax receivable	20	5,426	2,529
Prepayments	21	1,500	656
Other receivables		5,830	6,686
Marketable securities		9	10
Cash and cash equivalents	22	95,567	73,803
Total current assets		**171,097**	**130,120**
Total assets		**313,069**	**209,093**

Consolidated Statement of Financial Position

	Note	2017 31 DEC T.SEK	2016 31 DEC T.SEK
Share capital	23	1,839	1,716
Share premium		227,136	137,337
Translation reserve		-1,782	1,085
Retained earnings		-41,878	5,968
Total equity		**185,315**	**146,106**
Credit institutions	28	29,201	6,179
Deferred tax	15	0	3,143
Total non-current liabilities		**29,201**	**9,322**
Current portion of non-current liabilities	28	4,794	1,534
Credit institutions	28	0	5,752
Trade payables and other payables	28	16,326	29,565
Contract work	18	38,391	7,134
Prepayments	24	7,953	1,627
Corporation tax		58	0
Other liabilities	28	31,031	8,053
Total current liabilities		**98,553**	**53,665**
Total liabilities		**127,754**	**62,987**
Total equity and liabilities		**313,069**	**209,093**

Consolidated Statement of Changes in Equity

	SHARE CAPITAL T.SEK	SHARE PREMIUM T.SEK	TRANSLATION RESERVE T.SEK	RETAINED EARNINGS T.SEK	TOTAL EQUITY T.SEK
Equity 01.01.2016	**973**	**15,661**	**195**	**-3,013**	**13,816**
Profit (loss) for the year	0	0	0	8,981	8,981
Other comprehensive income	0	0	890	0	890
Total comprehensive income for the year	**0**	**0**	**890**	**8,981**	**9,871**
Transactions with owners in their capacity as owners					
Increase in share capital	743	143,758	0	0	144,501
Increase in share capital, costs	0	-22,082	0	0	-22,082
Total transactions with owners in their capacity as owners	**743**	**121,676**	**0**	**0**	**122,419**
Equity 31.12.2016	**1,716**	**137,337**	**1,085**	**5,968**	**146,106**
Equity 01.01.2017	**1,716**	**137,337**	**1,085**	**5,968**	**146,106**
Profit (loss) for the year	0	0	0	-53,989	-53,989
Other comprehensive income	0	0	-2,867	0	-2,867
Total comprehensive income for the year	**0**	**0**	**-2,867**	**-53,989**	**- 56,856**
Transactions with owners in their capacity as owners					
Increase in share capital	123	95,253	0	0	95,376
Increase in share capital, costs	0	-5,454	0	0	-5,454
Share-based payments	0	0	0	6,143	6,143
Total transactions with owners in their capacity as owners	**123**	**89,799**	**0**	**6,143**	**96,065**
Equity 31.12.2017	**1,839**	**227,136**	**-1,782**	**-41,878**	**185,315**

Consolidated Cash Flow Statement

	Note	2017 T.SEK	2016 T.SEK
Profit (loss) before tax		-66,515	5,487
Reversal of financial items		3,496	1,389
Depreciation and amortizations		8,666	2,798
Result after tax from associates	30	987	16,791
Non-cash items		592	-37,745
Change in net working capital	29	43,497	-4,749
Cash flows from primary operating activities		**-9,277**	**-16,029**
Received interest		1	461
Paid interest		-1,388	-1,800
Tax received		2,404	0
Tax paid		-146	0
Cash flow from operating activities		**-8,406**	**-17,368**
Investments in intangible assets		-41,923	-6,048
Investments in leasehold improvement, plant and equipment		-18,500	-6,028
Deposit paid		-3,617	0
Government grants	32	8,173	0
Proceeds from sale of property, plant and equipment		41	4
Investments in associates	30	-24,114	0
Acquisition of a subsidiary, net of cash acquired		0	-2,900
Cash flow from investing activities		**-79,940**	**-14,972**
Financing from debt:			
Borrowings	31	26,982	3,740
Repayment of borrowings	31	-6,885	-1,383
		20,097	**2,357**
Financing from shareholders:			
Capital increase		95,375	125,000
Capital increase, costs		-5,454	-22,082
		89,921	**102,918**
Cash flow from financing activities		**110,018**	**105,275**
Net cash flow for the year		**21,672**	**72,935**
Cash and cash equivalents, beginning of the year		59,803	1,268
Unrealized exchange rate gains and losses on cash		92	-400
Change in bank deposit for security		2,603	-14,000
Cash and cash equivalents, end of the year	22	**84,170**	**59,803**

Reconciliation of cash and cash equivalents

Cash and cash equivalents according to the balance sheet	95,567	73,803
Bank deposit for security	-11,397	-14,000
Cash and cash equivalents according to the cash flow statement	**84,170**	**59,803**

The cash flow statement cannot be directly derived from the items in the consolidated financial statements.

Parent Company Income Statement

	Note	2017 T.SEK	11 SEP 2015 31 DEC 2016 T.SEK
Net revenue	3	21,482	1,708
Gross profit		**21,482**	**1,708**
Administrative costs		-27,849	-7,846
Operating profit (loss)		**-6,367**	**-6,138**
Finance income	8	2,378	17
Finance expenses	9	-379	-247
Profit (loss) before tax		**-4,368**	**-6,368**
Tax	10	2,256	0
Profit (loss) for the year		**-2,112**	**-6,368**

Statement of Comprehensive Income

Profit (loss) for the year		**-2,112**	**-6,368**
Items which may be reclassified to the income statement:			
Other comprehensive income for the year, net of tax		**0**	**0**
Total comprehensive income for the year		**-2,112**	**-6,368**

Parent Company Statement of Financial Position

	Note	2017 T.SEK	2016 T.SEK
Investments in subsidiaries	13	148,455	60,806
Investments in associates	14	24,114	19,932
Total financial fixed assets		**172,569**	**80,738**
Total non-current assets		**172,569**	**80,738**
Intercompany receivables		11,523	285
Trade receivables from associates		111	25
Deferred tax asset		2,255	0
Other prepayments	21	153	90
Other receivables		120	1,879
Receivables	22	**14,162**	**2,279**
Cash and cash equivalents		**38,144**	**70,434**
Total current assets		**52,306**	**72,713**
Total assets		**224,875**	**153,451**
Share capital		1,839	1,716
Share premium		223,622	134,049
Retained earnings		-2,112	-6,368
Total equity		**223,349**	**129,397**
Payables to subsidiaries		111	2,087
Trade payables and other payables		826	21,967
Other liabilities		589	0
Total current liabilities		**1,526**	**24,054**
Total liabilities		**1,526**	**24,054**
Total equity and liabilities		**224,875**	**153,451**

Parent Company Statement of Changes in Equity

	SHARE CAPITAL T.SEK	SHARE PREMIUM T.SEK	RETAINED EARNINGS T.SEK	TOTAL EQUITY T.SEK
Equity 11.09.2015	**50**	**0**	**0**	**50**
Profit (loss) for the year	0	0	-6,368	-6,368
Total comprehensive income for the year	**0**	**0**	**-6,368**	**-6,368**
Transactions with owners in their capacity as owners				
Increase in share capital	1,736	156,530	0	158,266
Increase in share capital, costs	0	-22,551	0	-22,551
Decrease in share capital	-70	70	0	0
	1,666	**134,049**	**0**	**135,715**
Equity 31.12.2016	**1,716**	**134,049**	**-6,368**	**129,397**
Equity 01.01.2017	**1,716**	**134,049**	**-6,368**	**129,397**
Profit (loss) for the year	0	0	-2,112	-2,112
Total comprehensive income for the year	**0**	**0**	**-2,112**	**-2,112**
Transactions with owners in their capacity as owners				
IPO costs	0	-550	0	-550
Increase in share capital	123	95,253	0	95,376
Increase in share capital, costs	0	-4,904	0	-4,904
Share-based payments	0	0	6,142	6,142
	123	**89,799**	**6,142**	**96,064**
Equity 31.12.2017	**1,839**	**223,848**	**-2,338**	**223,349**

Parent Company Cash Flow Statement

	Note	2017 T.SEK	1 1 SEP 2015 - 31 DEC 2016 T.SEK
Profit (loss) before tax		-4,368	-6,368
Reversal of financial items		-1,999	230
Non-cash items		7,436	0
Change in net working capital	29	-12,224	-18,089
Cash flows from primary operating activities		**-11,155**	**-24,227**
Received interest		2,378	17
Paid interest		-379	-247
Tax paid		0	0
Cash flow from operating activities		**-9,156**	**-24,457**
Investments in associates		-24,114	0
Acquisition of and capital increase in subsidiaries	13	-88,942	-7,608
Cash flow from investing activities		**-113,056**	**-7,608**
Capital increase		95,376	125,050
Capital increase, costs		-5,454	-22,551
Cash flow from financing activities		**89,922**	**102,499**
Net cash flow for the year		**-32,290**	**70,434**
Cash and cash equivalents, beginning of the year		56,434	0
Unrealized exchange rate gains and losses on cash		0	0
Change in bank deposit for security		2,603	-14,000
Cash and cash equivalents, end of the year	22	**26,747**	**56,434**

Reconciliation of cash and cash equivalents

Cash and cash equivalents according to the balance sheet	38,144	70,434
Bank deposit for security	-11,397	-14,000
Cash and cash equivalents according to the cash flow statement	**26,747**	**56,434**

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Notes

1. Accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years, unless otherwise stated. The financial statements for the group consist of GomSpace Group AB and its subsidiaries.

Basis of preparation

The consolidated financial statements of GomSpace Group AB (publ) have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and the Annual Accounts Act. IFRS includes interpretations issued by the IFRS Interpretations Committee (IFRS IC). In addition to the Annual Accounts Act and IFRS, the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups, has also been applied.

The transaction under which GomSpace Group AB became the holding company of GomSpace A/S was a group reorganisation with no changes in the ultimate ownership of the group and all the shareholdings in GomSpace A/S were exchanged via a share-for-share exchange. GomSpace Group AB did not actively trade at that time. The Group reorganisation took place on 28 April 2016. The consolidated financial statements have therefore been presented as a continuation of GomSpace A/S' business.

The principal steps of the Group reorganisation were as follows:

- Upon incorporation, the share capital of GomSpace Group AB was T.SEK 50 divided into ordinary shares of SEK 1 each.

- GomSpace Group AB became the holding company of the Group, immediately following determination of the Offer Price amounting to T.SEK 13,766, through a share-for-share exchange.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Adjustment to purchase price allocation regarding NanoSpace AB

The purchase price allocation regarding NanoSpace AB as at 16 October 2016 has been adjusted in 2017 concerning pre-existing contractual relationship regarding contract work at an amount of T.SEK 2,045 which should have been recognized separately from the business combination. Furthermore, an adjustment is made due to known repayments of grants at an amount of T.SEK 1,000 before tax not recognized in the purchase price allocation as at 16 October 2016. The tax effect of the adjustments made is T.SEK 735.

Change in accounting policies

In 2017, GomSpace Group AB implemented the standards and interpretations that came into force in the EU for 2017. None of these have affected recognition, measurement or classification in 2017, and thereby also not result and diluted earnings per share (EPS) and are not expected to have affect in the future.

Consolidation of subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to or has the right to variable return from its holding in the entity and is able to affect this return through its influence in the entity. Subsidiaries are included in the financial statements as of the date when control passes to the Group. They are deconsolidated from the date on which the control ceases.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Notes

1. Accounting policies (continued)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or a liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement are measured at fair value with the changes in fair value recognised in the income statement.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Associates
An associate is an entity over which GomSpace has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in its associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The income statement reflects the Group's share of profit or loss after tax from the associates. Any change in Other Comprehensive Income ('OCI') of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

Translation of foreign currency
(i) Functional currency and reporting currency
Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Swedish kronor (SEK) which is the functional currency of the parent company. The functional currency of the operating companies GomSpace A/S and GomSpace Orbital ApS is DKK, NanoSpace AB is SEK, GomSpace Asia PTE is SGD, GomSpace North America Ltd. is USD and GomSpace Luxembourg S.A.R.L. is EUR.

(ii) Transactions and balance-sheet items
Transactions in foreign currencies are translated into the functional currency at the exchange rates applicable on the transaction date. Exchange gains and losses arising in the payment of such transactions and in the translation of monetary assets and liabilities in foreign currencies at the rate prevailing on the reporting date are recognised in the income statement under the item Net financials.

Notes

1. Accounting policies (continued)

(iii) Group companies

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet

- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

- all resulting exchange differences are recognised in other comprehensive income.

Segments report

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Management that makes strategic decisions. The business of GomSpace Group AB (publ) only includes one segment and the consolidated financial statements of comprehensive income, the consolidated statements of financial position, the consolidated statements of cash flows, the combined statements of changes in equity and notes represent this segment.

Revenue

Revenue includes sales of satellite solutions, platforms, payloads and subsystems.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, who has pricing latitude and who is also exposed to inventory and credit risks.

Contract work that is subject to a high degree of individual adaptation is recognised as revenue by reference to the percentage-of-completion method, meaning that revenue corresponds to the selling price of work performed during the year. When the outcome of contract work cannot be estimated reliably, revenue is recognised at the costs incurred so far when they are likely to be recovered. When it is probable that the total contract costs will exceed the total contract revenue, the anticipated loss on the contract is immediately recognised as an expense and a provision.

Cost of goods sold

Cost of goods sold comprise the cost of products and projects sold. Cost comprises the purchase price of raw materials, consumables and goods for resale, direct labour costs and a share of indirect production costs, including costs of operation and depreciation of production facilities as well as operation, administration and management of production sites.

Sales and distribution costs

Costs incurred in distributing goods sold during the year and in conducting sales campaigns, etc. during the year are recognised as distribution costs. Also, costs relating to sales staff, advertising, exhibitions as well as depreciation and impairment losses are recognised as distribution costs.

Development costs

Development costs include expenses relating to development activities not meeting the capitalisation criteria. Such expenses include staff costs, cost of material and depreciation and impairment losses.

Administrative costs

Administrative costs comprise expenses incurred during the year for management and administration, including costs relating to administrative staff, office premises and office expenses, and depreciation and impairment losses. Also included in this item are provisions for bad debts.

Notes

1. Accounting policies (continued)

Share-based payments
Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for warrants (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using the Black-Scholes option pricing valuation model, further details of which are given in Note 5.

In the consolidated financial statements of the Group, the cost is recognized in employee benefits expense together with a corresponding increase in equity, over the period in which the service conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

In the separate financial statements of GomSpace Group AB, as principal to the share-based payment transaction, the company will recognize an increase in the cost of investment in the subsidiary receiving the employment services, representing a capital contribution, based on the share-based payment charge over the vesting period.

A management recharge based on the grant date fair value of the warrants is accrued over the vesting period of the share-based payment. The accrued recharge is credited against the cost of investment (being a return of capital contribution), up to the amount of the original capital contribution, with any excess recharge being recognised in profit or loss.

Employee benefits
Liabilities for wages and salaries, including non-monetary benefits, are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

Variable salary
Provisions for variable salary are expensed on an ongoing basis in accordance with the economic substance of current agreements.

Pension obligations
The company only has defined contribution pension plans. The contributions are recognized as employee benefit expense when they are due. The group has no further payment obligations once the contributions have been paid.

Termination benefits
A provision for costs in connection with termination of personnel is recognized only if the company is obligated to end employment before the normal retirement date or when benefits are provided as an incentive to encourage voluntary termination. Estimated termination benefits are recognized as a provision when a detailed plan for the measure is presented.

Other operating income
Other operating income comprise income that is not related to the principal activities. This includes government grants, rent as well as gains and losses on the disposal of intangible assets and property, plant and equipment as well as other income of a secondary nature in relation to the main activities of the Group.

Financial income and expenses
Financial income and expenses comprise interest receivable and interest payable and value adjustments of financial assets and items denominated in a foreign currency.

Notes

1. Accounting policies (continued)

Income tax and deferred tax
The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Intangible assets
Goodwill
Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

Technology
Separately acquired licences are shown at historical cost. Technologies acquired in a business combination are recognized at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

Notes

1. Accounting policies (continued)

Amortization is based on the straight-line method over the expected useful lives of the assets:
Technology: 15 years

Development costs

Costs associated with maintaining software and products are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique development projects controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the development project so that it will be available for use
- management intends to complete the development project and use or sell it
- there is an ability to use or sell the development project
- it can be demonstrated how the development project will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the development project are available, and
- the expenditure attributable to the development project during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the development project include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Amortization is based on the straight-line method over the expected useful lives of the assets:

- Development projects: 5 years
- Other intangible assets: 3-5 years

Amortization of a development project begins when the development project is at a stage where its commercial potential can be utilized in the manner intended by Management.

Intangible assets not yet available for use are not subject to amortisation but are tested annually for impairment, irrespective of whether there is any indication that they may be impaired.

Government grants

Government grants comprise grants for investments, development projects, etc. Grants are recognized when there is reasonable certainty that they will be received. Grants for investments and capitalized development projects are set off against the cost of the assets to which the grants relate. Other grants are recognized in development costs in the income statement to offset the expenses for which they compensate.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment charges. Property, plant and equipment in progress are measured at cost. Cost comprises expenses for materials, other expenses directly related to making the asset ready for use, and reestablishment expenses, provided that a corresponding provision is made at the same time.

The useful lives of the individual groups of assets are estimated as follows:

- Other fixtures and fittings, tools and equipment: 2 - 5 years

Depreciation is based on a straight-line basis.

Gains and losses on the disposal of property, plant and equipment are recognized in the income statement under other operating income and other operating expenses.

Notes

1. Accounting policies (continued)

Impairment testing of non-current assets

The carrying amount of non-current assets are tested annually for indicators of impairment. When there is an indication that assets may be impaired, the recoverable amount of the asset is determined. The recoverable amount is the higher of an asset's fair value less expected costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset or the cash-generating unit to which the asset belongs. An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit, respectively, exceeds the recoverable amount of the asset or the cash-generating unit. The impairment loss is recognised in the income statement.

Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method.

The cost of goods for resale and raw materials and consumables comprises purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising costs incurred to bring the product to the current completion rate and location. Costs include the cost of raw materials, consumables, direct wages and salaries, and indirect production overheads. Indirect production overheads comprise indirect materials, wages and salaries, maintenance and depreciation of production machinery and equipment, as well as production administration and management.

Trade receivables

Receivables are initially recognized at fair value adjusted for any transaction costs. Subsequently, receivables are measured at amortized cost less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable taking into consideration the period overdue and the expected likelihood of receiving payment.

Contract work

Contract work is measured at the selling price of the work performed less progress billings and anticipated losses. Contract work entails a significant degree of design customisation of produced goods. Moreover, before any work is commenced, a binding agreement must have been entered into, which will imply a penalty or damages on subsequent termination of the agreement.

The selling price is measured by reference to the percentage of completion at the end of the reporting period and the total expected income from the contract. The percentage of completion is determined on the basis of an assessment of the work performed, which is usually measured as the proportion of contract costs incurred for work performed to date relative to the total estimated contract costs.

When it is probable that the total contract costs will exceed the total contract revenue, the anticipated loss on the contract is immediately recognised as an expense and a provision.

When income and expenses on contract work cannot be determined reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

Where the selling price of work performed exceeds progress billings on contract work and anticipated losses, the excess is recognised under receivables. If progress billings and anticipated losses exceed the selling price of contract work, the deficit is recognised under liabilities.

Prepayments from customers are recognised under liabilities.

Selling costs and expenses incurred in securing contracts are recognised in the income statement as incurred.

Notes

1. Accounting policies (continued)

Prepayments under assets
Prepayments which are recognised under assets include costs incurred in respect of subsequent financial years and primarily relate to prepaid expenses.

Provisions
Provisions are recognized when, as a consequence of an event occurring on or before the balance sheet date, the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation. The obligation is measured on the basis of Management's best estimate of the discounted amount at which the obligation is expected to be met.

Financial assets and liabilities
Cash and cash equivalents comprise cash balances and unrestricted deposits with banks.

Marketable securities recognized as current assets are measured at fair value on the balance sheet date. Changes to fair value is recognized in the income statement.

Financial liabilities are initially measured at fair value less transaction costs incurred. Subsequently, the loans are measured at amortized cost. Amortized cost is calculated as original cost less instalments plus/less the accumulated amortization of the difference between cost and nominal value. Losses and gains on loans are thus allocated over the term so that the effective interest rate is recognized in the income statement over the loan period. Financial liabilities are derecognized when settled.

Contributed equity
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Prepayments under liability
Prepayments which are recognised under liabilities include payments received in respect of income in subsequent financial years and primarily relate to received government grants.

Cash flow statement
The cash flow statement has been prepared under the indirect method and shows the Group's cash flows from operating, investing and financing activities for the year. Cash flows from operating activities comprise profit or loss before tax adjusted for non-cash operating items, changes in working capital, financial items received and paid and income tax paid. Cash flows from investing activities comprise payments made in connection with the acquisition and divestment of companies and activities, as well as investment, development, sale and improvements of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise capital increases and costs incidental thereto as well as the arrangement of loans, the repayment of interest-bearing debt, shares and the payment of dividend to the Group's shareholders.

Cash and cash equivalents in the cash flow statement comprise cash balances and unrestricted deposits with banks.

Notes

1. Accounting policies (continued)

Key ratios definitions

Gross margin = $\frac{\text{gross profit}}{\text{net revenue}}$

Operating margin = $\frac{\text{operating profit}}{\text{net revenue}}$

Net margin = $\frac{\text{profit}}{\text{net revenue}}$

Return on invested capital = $\frac{\text{profit}}{\text{total assets}}$

Return on equity = $\frac{\text{profit}}{\text{average equity}}$

Equity ratio = $\frac{\text{equity}}{\text{total assets}}$

Earnings per share, basic = $\frac{\text{profit}}{\text{number of shares basic, average}}$

Earnings per share, diluted = $\frac{\text{profit}}{\text{number of shares diluted, average}}$

Working capital = Inventory + Contract work + Trade receivables + Other Prepayments + Other receivables - Trade payables and Other payables - Contract work - Prepayments - Other liabilities

Parent Company

Basis of preparation

The comparative figures in these financial statements cover a period of 16 months (11 September 2015 - 31 December 2016).

The financial statements for the parent company have been prepared in accordance with the Annual Accounts Act and the recommendation RFR 2 Accounting for legal entities.

The differences between the Group's and the Parent's accounting principles are described below. The below stated accounting principles for the parent company have been applied consistently to all periods presented in the Parent's financial statements, if not otherwise described.

Investment in subsidiaries

Investments in subsidiaries are recognised at cost. This comprises the purchase price at fair value plus direct acquisition costs. If there is indication of impairment, an impairment test is conducted. Where the carrying value exceeds the recoverable amount, the investment is written down to this lower amount.

Investment in associates

Investments in associates are recognised at cost. This comprises the purchase price at fair value plus direct acquisition costs. If there is indication of impairment, an impairment test is conducted. Where the carrying value exceeds the recoverable amount, the investment is written down to this lower amount.

Notes

2. Significant accounting estimates and judgments

In preparing the Consolidated Financial Statements, Management makes various accounting estimates and assumptions which form the basis of presentation, recognition and measurement of the Group's assets and liabilities. The most significant accounting estimates and judgments are presented below.

In applying the Group's accounting policies, Management makes judgments which may significantly influence the amounts recognized in the Consolidated Financial Statements. Determining the carrying amount of some assets and liabilities requires judgments, estimates and assumptions concerning future events.

The judgments, estimates and assumptions made are based on historical experience and other factors that Management considers to be reliable, but which by their very nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise. The most critical judgments, estimates and assumptions for the individual items are described below.

The Group is also subject to risks and uncertainties that may lead to actual results differing from these estimates, both positively and negatively.

Development
For development projects in progress an impairment test is performed annually. The impairment test is performed on the basis of various factors, including future expected use of the outcome of the project, the fair value of the estimated future earnings or savings, interest rates and risks.

For development projects in progress, Management estimates on an ongoing basis whether each project is likely to generate future economic benefits for the Group in order to qualify for recognition. The development projects are evaluated on technical as well as commercial criteria. The carrying amount of development projects in progress is disclosed in note 12.

Contract work
Recognized revenue on contract work is based on percentage of completion which is based on cost incurred on the contract as a percentage of the total cost estimated to complete the project. Management estimates, on an ongoing basis, the cost required to complete the projects and whether the costs can be recovered through the contract. The carrying amount of contract work in progress is disclosed in note 18.

Deferred tax
Regarding deferred tax there is a recognized tax asset concerning tax loss carry-forward. It is Management's opinion that the tax loss can be utilized.

Notes

3. Net revenue

	Group		GomSpace Group AB	
	2017 T.SEK	2016 T.SEK	2017 T.SEK	11 SEP 2015 - 31 DEC 2016 T.SEK
Sales of satellite solutions, platforms, payloads and subsystems	96,101	54,117	0	0
Management fee	304	25	21,482	1,708
	96,405	**54,142**	**21,482**	**1,708**

Net revenue is distributed to the following geographical markets, based on where the customer reside.

Geographic distribution				
Denmark	3,196	5,090	17,843	1,683
Sweden	3,745	2,127	1,656	0
Europe (excluding Denmark and Sweden)	48,435	22,914	0	0
USA	17,401	3,564	661	0
Asia	10,103	12,784	661	0
Rest of the world	13,525	7,663	661	25
	96,405	**54,142**	**21,482**	**1,708**

Group revenue
Revenue from the United Kingdom accounts for 28% of the total net revenue (11% in 2016).
Revenue from the United States accounts for 18% of the total net revenue (7% in 2016).
Revenue from Mauritius accounts for 9% of the total net revenue (10% in 2016).
Revenue from Holland accounts for 11% of the total net revenue (21% in 2016).
Revenue from China accounts for 6% of the total net revenue (14% in 2016).
Revenue from Denmark accounts for 3% of the total net revenue (9% in 2016).
Revenue from Sweden accounts for 4% of the total net revenue (4% in 2016).

Revenue from one (one in 2016) customer accounts for 27% (10%) of the total revenue.

Property, plant and equipment have a carrying amount of T.SEK 657 (T.SEK 420 in 2016) in Sweden and a carrying amount of T.SEK 20,676 (T.SEK 5,945 in 2016) in Denmark. GomSpace Group AB's property, plant and equipment are located in both Sweden and Denmark.

Intangible assets have a carrying amount of T.SEK 17,442 (T.SEK 17,782 in 2016) in Sweden and a carrying amount of T.SEK 48,632 (T.SEK 13,275 in 2016) in Denmark.

Parent company
Revenue in parent company mainly consists of revenue from management fee to subsidiaries and associates.

Notes

4. Staff costs

2017	BASIC SALARY, BOARD FEE* T.SEK	BONUS T.SEK	SHARED-BASED PAYMENTS T.SEK	PENSION COSTS T.SEK	OTHER REMUNERATION T.SEK	TOTAL T.SEK
Chairman of the board						
Jukka Pekka Pertola	250	0	0	0	0	250
Board members						
Niels Jesper Jespersen Jensen	125	0	0	0	0	125
Steen Lorenz Johan Hansen	125	0	0	0	0	125
Carl-Erik Jørgensen	125	0	0	0	0	125
Anna Hilda Elisabet Rathsman	85	0	0	0	0	85
	710	0	0	0	0	710
Key management personnel						
CEO, Niels Buus	2,174	0	307	0	192	2,673
Other key management personnel (4 persons)	4,969	916	487	20	80	6,472
	7,143	916	794	20	272	9,145
Total	**7,853**	**916**	**794**	**20**	**272**	**9,855**
The subsidiaries' share of this amount is	7,143	916	794	20	272	9,270

*Members of the Board of Directors who are employed in the group do not receive a director's fee.

2016	BASIC SALARY, BOARD FEE* T.SEK	BONUS T.SEK	SHARED-BASED PAYMENTS T.SEK	PENSION COSTS T.SEK	OTHER REMUNERATION T.SEK	TOTAL T.SEK
Chairman of the board						
Jukka Pekka Pertola	129	0	0	0	0	129
Board members						
Niels Jesper Jespersen Jensen	124	0	0	0	0	124
Lars Alminde	0	0	0	0	0	0
Carl-Erik Jørgensen	84	0	0	0	0	84
Jens Langeland-Knudsen	84	0	0	0	0	84
	421	0	0	0	0	421
Key management personnel						
CEO, Niels Buus	1,114	639	0	501	29	2,283
Other key management personnel (6 persons)	4,671	1,004	0	665	0	6,340
	5,785	1,643	0	1,166	29	8,623
Total	**6,206**	**1,643**	**0**	**1,166**	**29**	**9,044**
The subsidiaries' share of this amount is	5,785	1,643	0	1,166	29	8,623

Notes

4. Staff costs (continued)

	2017 T.SEK	2016 T.SEK
GomSpace Group AB		
Board of directors and other key management personnel*		
Wages and salaries	710	0
Share-based payments	0	0
Social security contributions	0	0
Pension costs	0	0
	710	**0**

*Management in GomSpace Group AB is employed in GomSpace A/S. GomSpace A/S invoices management fee to GomSpace Group AB and GomSpace Group AB invoices management fee to the subsidiaries.

	2017 T.SEK	2016 T.SEK
Other employees		
Wages and salaries	1,668	202
Share-based payments	0	0
Social security contributions	450	57
Pension costs	236	9
	2,354	**268**
Subsidiaries		
Other employees		
Wages and salaries	114,758	37,974
Share-based payments	6,143	0
Social security contributions	2,920	777
Pension costs	7,065	2,864
	130,886	**41,615**
Of which:		
Wages and salaries capitalized as development projects	25,950	4,540
	104,936	**37,075**
Group total		
Wages and salaries	117,136	38,176
Share-based payments	6,143	0
Social security contributions	3,370	834
Pension costs	7,301	2,873
	133,950	**41,883**
Of which:		
Wages and salaries capitalized as development projects	25,950	4,540
	108,000	**37,343**
Other employee costs	3,186	1,041
Total staff costs	**111,186**	**38,384**

Notes

4. Staff costs (continued)

	2017 T.SEK	2016 T.SEK
Staff costs are included in:		
Costs of goods sold	45,990	15,490
Sales and distribution costs	18,044	8,134
Development costs*	55,716	11,528
Administrative costs	17,386	7,772
Total staff costs	**137,136**	**42,924**
*of which:		
Wages and salaries capitalized as development projects	25,950	4,540
Total staff costs	**111,186**	**38,384**

Average number of full time employees per country

Parent company		
Sweden (of which women, %)	2 (50%)	0 (0%)
	2 (50%)	**0 (0%)**
Subsidiaries		
Sweden (of which women, %)	9 (33%)	2 (50%)
Denmark (of which women, %)	106 (20%)	43 (19%)
USA (of which women, %)	1 (100%)	0 (0%)
Asia (of which women, %)	1 (0%)	0 (0%)
	117 (21%)	45 (19%)
Group total	**119 (22%)**	**45 (19%)**

Number of employees per country as at 31 December

Parent company		
Sweden (of which women, %)	3 (33%)	1 (0%)
	3 (33%)	**1 (0%)**
Subsidiaries		
Sweden (of which women, %)	10 (30%)	9 (33%)
Denmark (of which women, %)	161 (22%)	67 (16%)
USA (of which women, %)	1 (100%)	0 (0%)
Asia (of which women, %)	1 (0%)	0 (0%)
	173 (23%)	76 (18%)
Group total	**176 (23%)**	**77 (18%)**

Notes

4. Staff costs (continued)

	2017	2016
Share of women on the board of directors	20%	0%
Share of men on the board of directors	80%	100%
Share of women amongst key management personnel	0%	0%
Share of men amongst key management personnel	100%	100%

Termination benefits
Termination benefits are payable when employment is terminated by the group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. CEO has a retirement period of 6-12 months and key mangement personnel has a retirement period of 1-6 month(s) and retirement remuneration of 0-2 month(s) salary.

5. Share-based payment

The Board of Directors of GomSpace Group AB obtained approval to implement a share-based incentive program (equity-settled share-based payment transactions) in the form of a warrant scheme offered to all Danish and Swedish employees of the group. The warrants provide participants the right to purchase newly issued shares in GomSpace Group AB. A total of 402,424 warrants were approved and granted to employees of GomSpace A/S in two separate decisions (259,888 and 142,536 warrants were authorized and granted in April 2017 and August 2017, respectively). Only Danish employees subscribed to participate in the share-based incentive program.

The warrants vest in four equal annual instalments commencing on the date of grant, with the final instalment vesting on 27 April 2020. The warrants can be exercised between 27 April 2020 and 27 April 2021 within certain exercise windows. Vesting of the warrants will be conditional upon continued employment of the participants.

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for warrants (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using the Black-Scholes option pricing valuation model, please see below.

In the consolidated financial statements of the Group, that cost is recognized in employee benefits expense, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

In the separate financial statements of GomSpace Group AB, as principal to the share-based payment transaction, will recognize an increase in the cost of investment in the subsidiary receiving the employment services, representing a capital contribution, based on the share-based payment charge over the vesting period.

Notes

5. Share-based payment (continued)

A management recharge based on the grant date fair value of the warrants is accrued over the vesting period of the share-based payment. The accrued recharge is credited against the cost of investment (being a return of capital contribution), up to the amount of the original capital contribution, with any excess recharge being recognised in profit or loss.

The total expense recognised in profit or loss for the year related to the warrant schemes was T.SEK 6,143.

The fair value of the warrants has been calculated using the Black-Scholes option pricing model. Key inputs in the valuation model include:

	FIRST AWARD (27 APRIL 2017)	SECOND AWARD (24 AUGUST 2017)
Expected future dividend (SEK per share)	0	0
Volatility	70%	70%
Risk free interest rate	0%	0%
Life of warrant	48 months	48 months
Share price at grant date (SEK per share)	54.0	58.3
Exercise price (SEK per share)	54.1	54.1
Fair value at grant date (SEK per warrant)	27.6	30.9

The volatility has been determined using the volatility in GomSpace Group's share price since the IPO, together with benchmarking against peer group companies.

Notes

5. Share-based payment (continued)

Set out below is a summary movements in warrants during the year. All warrants granted have an exercise price of SEK 54.1.

	NUMBER OF WARRANTS
Outstanding at 1 January 2017	
Granted	-
Forfeited	402,424
Exercised	-8,777
Expired	-
Outstanding at 31 December 2017	393,647
Exercisable at 31 December 2017	-

The remaining contractual life of all warrants granted is 40 months.

6. Depreciation and amortizations

	Group		GomSpace Group AB	
	2017 T.SEK	2016 T.SEK	2017 T.SEK	11 SEP 2015 - 31 DEC 2016 T.SEK
Costs of goods sold	1,659	382	0	0
Sales and distribution costs	336	141	0	0
Development costs	1,203	166	0	0
Administrative costs	653	148	0	0
Total depreciation	**3,851**	**837**	**0**	**0**
Costs of goods sold	2,332	920	0	0
Sales and distribution costs	421	324	0	0
Development costs	1,372	389	0	0
Administrative costs	690	328	0	0
Total amortizations	**4,815**	**1,961**	**0**	**0**

Notes

7. Remuneration to auditors

	Group		GomSpace Group AB	
	2017 T.SEK	2016 T.SEK	2017 T.SEK	11 SEP 2015 - 31 DEC 2016 T.SEK
Appointed auditor				
Ernst & Young (PwC 2016)				
Audit service	456	630	200	220
Other services	1,615	985	1,018	416
Tax advise services	449	56	366	56
Other non-audit services	0	69	0	0
Total	**2,520**	**1,740**	**1,584**	**692**
Others				
Audit service	145	0	100	0
Other services	253	0	253	0
Tax advise services	8	0	0	0
Total	**406**	**0**	**353**	**0**
Total	**2,926**	**1,740**	**1,937**	**692**

8. Finance income

Interest income	1	10	2,045	0
Exchange rate adjustments	4,076	512	333	17
Fair value gains on securities	0	3	0	0
	4,077	**525**	**2,378**	**17**

9. Finance expenses

Interest expenses	1,388	707	336	4
Exchange rate adjustments	5,860	834	0	183
Fair value loss on securities	1	0	0	0
Other financial expenses, including bank fees	324	373	43	60
	7,573	**1,914**	**379**	**247**

Notes

10. Tax on profit (loss) for the year

	Group		GomSpace Group AB	
	2017 T.SEK	2016 T.SEK	2017 T.SEK	11 SEP 2015 - 31 DEC 2016 T.SEK
Tax on profit (loss) for the year comprises				
Current tax on profit (loss) for the year [1])	-5,001	-1,144	0	0
Changes in deferred tax	-10,553	-1,775	-2,256	0
Adjustments to previous years	3,028	-575	0	0
Tax expense/(income) for the year	**-12,526**	**-3,494**	**-2,256**	**0**
Profit (loss) before tax	-66,517	5,487	-4,368	-6,368
Swedish tax rate for GomSpace Group AB (publ)	22.0%	22.0%	22.0%	22.0%
Tax expense/(income)	-14,634	1,207	-961	-1,401
Non-taxable income[2]	-1,397	-4,705	0	0
Non-deductible expenses	1,910	34	106	0
Non-capitalized tax concerning loss carry-forward	0	1,176	0	1,401
Effect of foreign tax rates	-32	0	0	0
Tax value of unrecognized tax asset	-1,401	0	-1,401	0
Adjustments to previous years	3,028	-1,206	0	0
Tax on profit (loss) for the year	**-12,526**	**-3,494**	**-2,256**	**0**
Effective tax rate	19%	-64%	52%	0%
Income tax expense/(income)				
reported in the income statement	-12,526	-3,494	-2,256	0
	-12,526	**-3,494**	**-2,256**	**0**

1) A part of the tax loss for the year is caused by development costs. According to the Danish tax legislation the tax value (22%) of development costs can be paid out subsequent to the filing of the taxable income for the year. Accordingly, the tax loss carried forward is reduced.
2) Non-taxable income mainly relates to income from associates.

Tax loss carry-forward	120,085	42,942	38,289	28,919
Unrecognized as deferred tax asset	-28,005	-28,919	-28,005	-28,919
Tax loss carry-forward recognized as deferred tax asset	**92,080**	**14,023**	**10,284**	**0**

Notes

11. Intangible assets

GROUP	GOODWILL T.SEK	TECHNOLOGY T.SEK	IN-PROCESS DEVELOPMENT PROJECTS T.SEK	COMPLETED DEVELOPMENT PROJECTS T.SEK	OTHER INTANGIBLE ASSETS T.SEK	TOTAL T.SEK
Cost price at 1 January 2017	3,710	12,000	6,197	12,054	3,623	37,584
Additions during the year	0	0	21,819	0	17,089	38,908
Reclassification	0	0	-2,108	2,108	0	0
Exchange rate adjustment	0	0	668	347	131	1,146
Cost price at 31 December 2017	3,710	12,000	26,576	14,509	20,843	77,638
Amortization at 1 January 2017	0	-200	0	-6,021	-306	-6,527
Amortization	0	-800	0	-1,917	-2,098	-4,815
Exchange rate adjustment	0	0	0	-208	-14	-222
Amortization at 31 December 2017	0	-1,000	0	-8,146	-2,418	-11,564
Carrying amount 31 December 2017	**3,710**	**11,000**	**26,576**	**6,363**	**18,425**	**66,074**
Cost price at 1 January 2016	0	0	5,970	6,784	0	12,754
Additions during the year	0	0	4,839	0	1,209	6,048
Acquired in a business combination	1,400	12,000	0	0	2,400	15,800
Adjustment to business combination*	2,310	0	0	0	0	2,310
Reclassification	0	0	-4,922	4,922	0	0
Exchange rate adjustment	0	0	310	348	14	672
Cost price at 31 December 2016	3,710	12,000	6,197	12,054	3,623	37,584
Amortization at 1 January 2016	0	0	0	-4,332	0	-4,332
Amortization	0	-200	0	-1,460	-301	-1,961
Exchange rate adjustment	0	0	0	-229	-5	-234
Amortization at 31 December 2016	0	-200	0	-6,021	-306	-6,527
Carrying amount 31 December 2016	**3,710**	**11,800**	**6,197**	**6,033**	**3,317**	**31,057**

* In 2017 there have been some minor adjustments to the purchase price allocation regarding the acquisition of NanoSpace AB, please see note 34.

Other intangible assets primarily consist of cost for the new ERP system and software.

Apart from goodwill, management considers that all intangible assets have limited useful lives.

In 2017, the Group has received T.SEK 2,973 in government grants which are set off against additions during the year.

In general
The group has realized a loss of T.SEK 53,989 in 2017 in accordance with budget and plan. Expectations for the period 2018-2021 are still in accordance with the information announced in connection with the initial public offering at NASDAQ First North Premier in Stockholm in 2016 with a revenue target in 2021 of T.SEK 820,000 and an estimated gross margin of 65 %.

Notes

11. Intangible assets (continued)

The group's activities are primarily carried out in GomSpace A/S and in a smaller scale in NanoSpace AB. In 2017, the group established new subsidiaries in Singapore, USA and Luxembourg and the activities have been moderate in 2017. GomSpace Group AB's sole activity is holding of shares in subsidiaries and associates as well as the stock listing on NASDAQ First North Premier.

Based on the market value of GomSpace Group AB on NASDAQ First North Premier in Stockholm during the period since the initial public offering in 2016, including the market value of the new shares issued 8 March 2018, management asses there is significant headroom between the recoverable amount and the carrying amount of goodwill and intangible assets as at 31 December 2017.

In-process development projects
In-process development projects are subject to an annual impairment test. In-process development projects consist of nanosatellite platforms with deployable tracking solar panels as well as high capability electronic power-system and radio products for higher frequencies thus increasing data bandwidth. Please refer to management's review on page 11-12 "Market development" and page 12 "Product development".

The carrying amount for in-process development projects as at 31 December 2017 amounts to T.SEK 26,576 (T.SEK 6,197 as at 31 December 2016).

The in-process development projects are primarily carried out in GomSpace A/S. The main parts of the in-process development projects are expected to be completed during 2018. Management expects the development projects to increase revenue for the group in 2018 and the following years. Please refer to the expectations for the period 2018-2021 announced in connection with the initial public offering at NASDAQ First North Premier in Stockholm in 2016 with a revenue target in 2021 of T.SEK 820,000 and an estimated gross margin of 65 %.

The in-process development projects are tested for impairment as at 31 December 2017. The recoverable amount of the in-process development projects was set based on computations of value in use. The value in use is based on business plans approved by management for the individual in-process development projects, including projected cash inflows from budgeted and estimated revenue as well as budgeted and estimated cash outflows from completing the projects and cash flows related to the sale of the developed products. The business plans are among other things based on market reports on future growth and technology trends.

Based on the impairment tests, management asses there is significant headroom between the recoverable amount and the carrying amount of in-process development projects as at 31 December 2017.

Other intangible assets, including technology and completed development costs
With reference to the expectations for the period 2018-2021, management has not identified any factors indicating the need to carry out impairment tests for other intangible assets, including technology and completed development costs in 2017.

Development costs recognized in the income statement
Development costs recognized in the income statement in 2017 amount to T.SEK 25,277 (T.SEK 6,812 in 2016).

Notes

12. Property, plant and equipment

GROUP	LEASEHOLD IMPROVEMENTS T.SEK	OTHER FIXTURES, FITTINGS, TOOLS & EQUIPMENT T.SEK	TOTAL PROPERTY, PLANT AND EQUIPMENT T.SEK
Cost price at 1 January 2017	2,331	5,567	7,898
Additions during the year	7,646	10,904	18,500
Disposals during the year	-192	-395	-587
Exchange rate adjustment	178	296	474
Cost price at 31 December 2017	9,963	16,372	26,335
Depreciation at 1 January 2017	-352	-1,181	-1,533
Depreciation	-648	-3,203	-3,851
Disposals during the year	142	338	480
Exchange rate adjustment	0	-98	-98
Depreciation at 31 December 2017	-858	-4,144	-5,002
Carrying amount 31 December 2017	**9,105**	**12,228**	**21,333**
Cost price at 1 January 2016	0	1,414	1,414
Additions during the year	2,319	3,709	6,028
Acquired in a business combination	0	420	420
Disposals during the year	0	-5	-5
Exchange rate adjustment	12	29	41
Cost price at 31 December 2016	2,331	5,567	7,898
Depreciation at 1 January 2016	0	-717	-717
Depreciation	-356	-481	-837
Exchange rate adjustment	4	17	21
Depreciation at 31 December 2016	-352	-1,181	-1,533
Carrying amount 31 December 2016	**1,979**	**4,386**	**6,365**

Notes

13. Investments in subsidiaries

	2017 T.SEK
GOMSPACE GROUP AB	
Cost price at 31 December 2016	60,806
Adjustment to cost price	-1,294
Additions during the year *	88,942
Capital contribution (share-based payments)**	6,143
Return of capital contribution**	-6,143
Cost price at 31 December 2017	**148,454**

* Additions during the year comprise of the establishment of and debt conversion in subsidiaries at an amount of T.SEK 88,826.
** See a description of the accounting policies related to the treatment of share-based payment transactions in note 1 and note 5.

Impairment test
Investments in subsidiaries are measured in the parent company's financial statements at cost price. If there is an indication of impairment, the recoverable amount of the asset is calculated. The recoverable amount is the highest of the fair value or value in use.

The carrying amount for investments in subsidiaries amounts to T.SEK 148,454 as at 31 December 2017 (T.SEK 60,806 as at 31 December 2017).

The group has realized a loss of T.SEK 53,989 in 2017 in accordance with budget and plan. Expectations for the period 2018-2021 are still in accordance with the information announced in connection with the initial public offering at NASDAQ First North Premier in Stockholm in 2016 with a revenue target in 2021 of T.SEK 820,000 and an estimated gross margin of 65 %.

The group's activities are primarily carried out in GomSpace A/S with a carrying amount of T.SEK 110,971 as at 31 December 2017, and in a smaller scale in NanoSpace AB with a carrying amount of T.SEK 34,056 as at 31 December 2017. In 2017, the group established new subsidiaries in Singapore, USA and Luxembourg and the activities have been moderate in 2017. GomSpace Group AB's sole activity is holding of shares in subsidiaries and associates as well as the stock listing on NASDAQ First North Premier.

Based on the market value of GomSpace Group AB on NASDAQ First North Premier in Stockholm during the period since the initial public offering in 2016, including the market value of the new shares issued 8 March 2018, management asses there is significant headroom between the recoverable amount and the carrying amount of the subsidiaries as at 31 December 2017.

Furthermore, management has prepared impairment tests for GomSpace A/S and NanoSpace AB based on the discounted cash flow model reflecting the financial targets for the coming five-year period, market reports on future growth and technology trends. Management applies a five-year period to reflect the long-term approach to customers' purchasing decisions. Cash flows beyond the five-year period are extrapolate using an estimated growth rate.

The impairment tests indicate that there is significant headroom between the recoverable amounts and the carrying amounts of the shares in subsidiaries as at 31 December 2017.

Notes

13. Investments in subsidiaries (continued)

	GOMSPACE A/S 30899849 AALBORG, DENMARK T.SEK	NANOSPACE AB 556643-0475 UPPSALA, SWEDEN T.SEK	GOMSPACE ORBITAL APS 38173561 AALBORG, DENMARK T.SEK	GOMSPACE NORTH AMERICA LLC S667083-2 WASHINGTON, USA T.SEK	GOMSPACE ASIA PTE LTD 201707094C SINGAPORE T.SEK	GOMSPACE LUXEMBOURG S.A.R.L 1008250/0 GRAND DUCHY, LUXEMBOURG T.SEK
Result	-50,569	-4,068	-1,114	92	135	0
Equity	59,201	15,792	-1,367	1,210	2,290	118
Proportion of shares	100%	100%	100%	100%	100%	100%
Booked value	110,971	34,056	65	1,105	2,142	115
Carrying amount of equity 2017	59,201	15,792	-1,367	1,210	2,290	118
Carrying amount of equity 2016	35,487	8,360	-223	0	0	0
Carrying amount of equity 2015	13,765	0	0	0	0	0

Notes

14. Investment in associates

The Group has a 39% interest in Aerial & Maritime Ltd., domiciled in Mauritius. The purpose of the company is to develop and operate its own constellation of nanosatellites. Aerial & Maritime Ltd. is a private entity that is not listed on any public exchange. The Group's interest in Aerial & Maritime Ltd. in terms of accounting is to use the equity method in the consolidated financial statements. The following tables illustrates the summarised financial information of the Group's investment in Aerial & Maritime Ltd:

	Group		GomSpace Group AB	
	2017 T.SEK	2016 T.SEK	2017 T.SEK	2016 T.SEK
Cost at 1 January 2017	19,932	0	19,932	0
Additions	4,182	19,932	4,182	19,932
Cost at 31 December 2017	24,114	19,932	24,114	19,932
Value adjustments at 1 January 2017	16,791	0	0	0
Share of profit (loss)	-1,859	-43	0	0
Gain on partial disposal of the interests*	7,053	21,348	0	0
Eliminations**	-538	-4,595	0	0
Foreign exchange adjustments	-3,669	81	0	0
Value adjustments 31 December 2017	17,778	16,791	0	0
Carrying amount at 31 December 2017	**41,892**	**36,723**	**24,114**	**19,932**

*The Group's gain on partial disposal of the interests.
In December 2017, two partners obtained a part of Aerial & Maritime Ltd. by increase of share capital, following this the Group's ownership was 39%. The Group recognized a gain of T.SEK 7,053 following the transaction with the two partners as deemed disposal. An amount of T.SEK 6,450 is recognized in the income statement and an amount of T.SEK 603 is recognized in other comprehensive income.

**Elimination of gain on contract work for the associated company.

	2017 T.SEK	2016 T.SEK
Aggregated financial information for associates:		
Current assets	55,436	75,704
Non-current assets	54,909	0
Current liabilities	13,855	10,297
Equity	96,490	65,407
Group's share in equity - 39% (2016: 47%)	37,638	30,945
Goodwill	7,857	10,373
Elimination of unrealized profits	-3,603	-4,596
Group's carrying amount of the investment	**41,892**	**36,723**

Notes

14. Investment in associates (continued)

	2017 T.SEK	2016 T.SEK
Aggregated financial information for associates:		
Administration costs	-4,608	-109
Interest	-30	0
Loss before tax	-4,638	-109
Income tax expense	696	17
Loss for the year	**-3,942**	**-92**
Group's share of loss for the year	**-1,859**	**-43**
Loss for the year	-3,942	-92
Other comprehensive income	-7,349	172
Total comprehensive income	**-11,291**	**80**
Group's share of comprehensive income	**-3,066**	**81**
Aerial & Maritime Ltd. Domiciled in Mauritius Corporate ID: 142963		
Proportion of shares	39%	47%
Fair value	159,445	87,332

The fair value of the associate was determined using the rate applied upon the capital increase received from external parties at the end of 2017. This is a level 2 measurement as per the fair value hierarchy set out in note 25.

Regarding the cooperation with Aerial & Maritime Ltd., a business plan has been entered between the owners. The Shareholder Agreement contains further requirements regarding financing. The Group has a limited commitment to invest additional cash for newly issued shares - this commitment only applies to the Company's pro-rata share of any project overrun. This commitment expires in November 2019.

Notes

15. Deferred tax

	Group 2017 T.SEK	Group 2016 T.SEK	GomSpace Group AB 2017 T.SEK	GomSpace Group AB 2016 T.SEK
Deferred tax at 1 January	1,685	-889	0	0
Adjustments regarding previous years	0	575	0	0
Business combination	0	235	0	0
Deferred tax recognized in the income statement	7,524	1,774	2,255	0
Exchange rate adjustment	88	-10	0	0
Deferred tax at 31 December	**9,297**	**1,685**	**2,255**	**0**
Deferred tax relates to:				
Intangible assets	-12,160	-2,844	0	0
Property, plant and equipment	497	-317	0	0
Short term assets	645	-40	0	0
Short term liabilities	66	735	0	0
Tax loss carry-forwards	20,249	4,151	2,255	0
	9,297	**1,685**	**2,255**	**0**
Deferred tax assets	9,297	4,828	2,255	0
Deferred tax liabilities	0	-3,143	0	0
Deferred tax, net	**9,297**	**1,685**	**2,255**	**0**

Unrecognized tax assets regarding tax losses carry-forward amount to T.SEK 6,161 for the Group and T.SEK 6,161 for GomSpace Group AB. The time frame for using the Swedish tax losses carry-forward is uncertain.

Management assesses that the deferred tax asset can be utilized in 2-3 years based on expectations for the period 2018-2021, still in accordance with the information announced in connection with GomSpace Group AB's initial public offering at NASDAQ First North Premier in Stockholm in 2016 with a revenue target in 2021 of T.SEK 820,000 and an estimated gross margin of 65 %.

16. Other non-current assets

Other non-current assets consist of lease deposits.

Notes

17. Inventories

	Group 2017 T.SEK	Group 2016 T.SEK
Finished goods	543	0
Raw materials and consumables	9,220	4,266
	9,763	**4,266**

T.SEK 17,535 of inventories was recognized in cost of sales during 2017 (T.SEK 9,258 in 2016). Write-downs of inventories in 2017 amounted to T.SEK 0 (T.SEK 217 in 2016).

18. Contract work

	Group 2017 T.SEK	Group 2016 T.SEK
Revenue from contract work	107,151	76,755
Less progress billings	-122,881	-53,837
Exchange rate adjustment	-424	230
	-16,154	**23,148**
Recognized in the balance sheet as:		
Amounts due from customers for contract work	22,237	28,237
Amounts due to customers for contract work	-38,391	-5,089
	-16,154	**23,148**

Notes

19. Trade receivables

	Group 2017 T.SEK	Group 2016 T.SEK
Trade receivables, gross	32,360	13,933
Write-downs	-1,595	0
	30,765	**13,933**

	2017	2016
Ageing of receivables		
Not due	3,366	5,705
0 - 30 days overdue	21,994	1,821
31 - 90 days overdue	3,708	5,500
>120 days overdue	1,697	907
	30,765	**13,933**

	2017	2016
Movement in allowance for doubtful trade receivables		
Carrying amount at the beginning of the year	0	0
Allowances for losses during the year	1,300	0
Confirmed losses	295	0
	1,595	**0**

As at 31 December 2017, trade receivables at an amount of T.SEK 27,399 (T.SEK 8,228 in 2016) were past due but not impaired. These relate to a number of independent customers where there is no recent history of non-payment.

The remaining trade and other receivables do not contain impaired assets as these are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The group does not hold any collateral in relation to these receivables.

20. Tax receivable

A part of the tax loss for the year is caused by development costs. According to the Danish tax legislation the tax value (22%) of development costs can be paid out subsequent to the filing of the taxable income for the year. Accordingly, the tax loss carried forward is reduced.

Notes

21. Prepayments

Prepayments mainly consist of prepaid insurance and rental costs related to 2018.

22. Cash and cash equivalents

Of the total amount of cash and cash equivalents an amount of T.SEK 11,397 (T.SEK 14,000 in 2016) is deposited as security for projects in the subsidiaries GomSpace A/S and NanoSpace AB. The amount is deposited in GomSpace Group AB.

23. Share capital

The share capital comprises 26,257,334 shares of a nominal value of SEK 0.07 each. The nominal value of each share is changed from SEK 1 to SEK 0.98 in accordance with an exchange of shares and to SEK 0.07 in accordance with the share split. No shares carry any special rights.

	NUMBER OF SHARES
Changes in share capital:	
Share capital at 1 January 2016	13,907,334
Capital increase 2016	8,000,000
Capital increase 2016	2,000,000
Capital increase 2016	600,000
Capital increase 2017	1,750,000
Share capital at 31 December 2017, fully paid	**26,257,334**

Capital management

The Group is primarily financed through equity, but will use debt financing when this can be achieved at attractive conditions. Management evaluates the need for capital on an ongoing basis. The objectives when maintaining capital are to maintain sufficient capital in order to meet short-term obligations and at the same time maintain investor's confidence required to sustain future development of the business.

On 8 March 2018, T.SEK 125,000 were raised through a directed new issue of shares, please see note 35.

The group is not exposed to any externally imposed capital requirements.

	2017 T.SEK	2016 T.SEK
Earnings per share, basic, SEK	-2.09	0.62
Earnings per share, diluted, SEK	-2.08	0.62
Number of outstanding shares basic, average	25,805	14,593
Number of outstanding shares diluted, average	25,896	14,593

24. Prepayments

Prepayments consist of prepayments from customers and accrued income from received grants for development projects.

Notes

25. Other liabilities

	Group		GomSpace Group AB	
	2017 T.SEK	2016 T.SEK	2017 T.SEK	2016 T.SEK
Accrued costs, including project related costs	14,910	1,606	0	0
Accrued holiday pay	10,984	4,179	111	0
Payroll liabilities	4,866	2,034	478	0
VAT	0	149	0	0
Contract work, loss	271	85	0	0
	31,031	**8,053**	**589**	**0**

Notes

26. Commitments and contingent liabilities

	Group		GomSpace Group AB	
	31 DEC 2017 T.SEK	31 DEC 2016 T.SEK	31 DEC 2017 T.SEK	31 DEC 2016 T.SEK
Commitments				
Security for debt to credit institutions				
Security in company assets (floating charge)	42,995	14,799	0	0
Pledged bank account for the benefit of subsidiary	0	149	11,397	14,000
Total	**42,995**	**14,799**	**11,397**	**14,000**
Operating leases				
Operating lease commitments*:				
Due within 1 year	6,974	2,162	0	0
Due between 1 and 5 years	24,776	1,362	0	0
Due after 5 years	2,172	0	0	0
	33,922	**3,524**	**0**	**0**
Lease payments recognised as an expense amount to	5,646	2,229	0	0

*Lease commitments primarily relate to office rental.

Contingent liabilities				
Letter of support to subsidiary				
(equity in GomSpace Orbital ApS)*	0	0	1,367	223
Parent company guarantee	0	0	33,995	7,713
Total	**0**	**0**	**35,362**	**7,936**

* The parent company has given a letter of support to the subsidiary GomSpace Orbital ApS stating that it will support the company financially until the general meeting in 2019, if nessecary.

There are no pending court and arbitration cases.

Notes

27. Financial risks

General risk management
Due to its activities, the Group is exposed to various financial risks, including changes in foreign currency, interest, liquidity and credit risks. The Group manages the risks centrally and follows the policies approved by the Board of Directors. The Group does not actively engage in speculation of financial risks.

Credit risks
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities which mainly relate to contract work in progress, trade receivables and other receivables, and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. Maximum exposure corresponds to the carrying amount. For sale of products an advance payment is received from the customer.

The Group assesses the risks of losses on an ongoing basis and, if necessary, write-downs are made according to the Group's policies. Excess cash is placed with banks with ratings A or above. The Group does not have any material risks related to individual customers. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any deliveries to major customers are generally covered by letters of credit or other forms of credit insurance. Customer agreements are mainly entered into for specific and isolated orders and there are no framework agreements or the like that would ensure repeated orders and future sales.

The Group's customers are both public and private enterprises. Total receivables amount to T.SEK 30,765 (T.SEK 13,933) as at 31 December 2017 of which 25% (65%) are public customers and 75% (35%) are industry customers.

An impairment analysis is performed at each reporting date on an individual basis. The management assesses credit risk in relation to the individual customer, taking into account whether they are public customers who are deemed to have a lower credit risk than industry customers. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions. The Group's activities take place in the global market for nanosatellites and management does not distinguish between customers' geographical affiliations in the credit risk assessment. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 28.

Foreign exchange risks
The Group's sales, cost of goods sold and expenses are mainly incurred in DKK, USD or EUR. The Group has transactions in other currencies, but exposure in those currencies is not significant. There is no foreign currency hedging regarding transactions in foreign currency.

- A change in foreign exchange rates of +/- 10% in the subsidiaries in DKK will have an effect in 2018 on other comprehensive income and equity before tax on T.SEK 5,783.

- A change in foreign exchange rates of +/- 10% in the associates in USD will have an effect on result and equity before tax on T.SEK 3,884.

- A change in foreign exchange rates of +/- 10% concerning assets and liabilities in DKK will have an effect on result and equity before tax on T.SEK 260.

- A change in foreign exchange rates of +/- 10% concerning assets and liabilities in EUR will have an effect on result and equity before tax on T.SEK 10,280.

- A change in foreign exchange rates of +/- 10% concerning assets and liabilities in USD will have an effect on result and equity before tax on T.SEK 4,416.

Notes

27. Financial risks (continued)

Interest rate risk
The Group's loans are carried at variable interest rates. A change in the interest level will have limited effect on the result or equity.

- A change in the interest of +/- 1% will have an effect in 2018 on result and equity before tax on T.SEK 348.

Liquidity risk
Funding and adequate liquidity are fundamental factors in driving an expanding business, and management of both is an integrated part of the Group's continuous budget and forecasting process. To ensure focus on managing the risks related to funding and liquidity, the Group manages and monitors funding and liquidity and ensures the availability of required liquidity through cash management and borrowing facilities.

By constantly maintaining cash assets or unused credit facilities, the Group ensures it has sound payment capacity, thereby reducing the liquidity risk. Payment capacity, i.e. cash from the IPO and cash equivalents as well as unused credit facilities as at 31 December 2017 was T.SEK 102,843 (T.SEK 73,803 in 2016).

The Group's long-term financing consists of a loan from Vækstfonden under EU's InnovFin SMV Programme in 2015. The loan bears a floating rate, 6.6% and 7.6% p.a. as at 31 December 2017. The loan can be redeemed by the Group at par value at any time and is subject to change of control and transfer of assets clauses.

	0-1 YEAR T.SEK	1-5 YEARS T.SEK	>5 YEARS T.SEK	TOTAL T.SEK	CARRYING AMOUNT T.SEK
GROUP					
31 December 2017					
Borrowings from credit institutions	5,595	29,833	7,488	42,916	33,995
Trade and other payables	47,357	0	0	47,357	47,357
	52,952	**29,833**	**7,488**	**90,273**	**81,352**
31 December 2016					
Borrowings from credit institutions	7,766	6,793	0	14,559	13,465
Trade and other payables	36,618	0	0	36,618	36,618
	44,384	**6,793**	**0**	**51,177**	**50,083**

Fair value of the loan from Vækstfonden is determined to be equal to its carrying amount (level 2 in the fair value hierarchy). Fair value of short term liabilities is determined to equal their carrying amount.

The analysis is based on all undiscounted cash flows, including estimated interest payments and expected instalments on loans. The estimates on interest are based on current market conditions.

The payment obligations are expected to be settled through cash inflows from operating activities and through proceeds from capital injections.

Notes

28. Classification of financial assets and liabilities

	FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS HELD FOR TRADING T.SEK	LOANS AND RECEIVABLES T.SEK	OTHER FINANCIAL LIABILITIES T.SEK	TOTAL T.SEK	CARRYING AMOUNT T.SEK	FAIR VALUE LEVEL 1 T.SEK
31 December 2017						
ASSETS						
Trade and other receivables	0	58,832	0	58,832	58,832	0
Marketable securities	9	0	0	9	0	9
Cash and cash equivalents	0	95,567	0	95,567	95,567	0
Total assets	**9**	**154,399**	**0**	**154,408**	**154,399**	**9**
LIABILITIES						
Credit institutions	0	0	33,995	33,995	33,995	0
Trade payables and other payables	0	0	47,357	47,357	47,357	0
Prepayments	0	0	46,344	46,344	46,344	0
Total liabilities	**0**	**0**	**127,696**	**127,696**	**127,696**	**0**
31 December 2016						
ASSETS						
Trade and other receivables	0	48,856	0	48,856	48,856	0
Marketable securities	10	0	0	10	0	10
Cash and cash equivalents	0	73,803	0	73,803	73,803	0
Total assets	**10**	**122,659**	**0**	**122,669**	**122,659**	**10**
LIABILITIES						
Credit institutions	0	0	13,465	13,465	13,465	0
Trade payables and other payables*	0	0	37,618	37,618	37,618	0
Prepayments	0	0	6,716	6,716	6,716	0
Total liabilities	**0**	**0**	**57,799**	**57,799**	**57,799**	**0**

* The figure is adjusted in relation to the purchase price allocation (PPA) of NanoSpace. See note 31.

Notes

28. Classification of financial assets and liabilities (continued)

Fair value of credit institutions and other non-current loans are deemed to be equal to the total carrying amount, as these items are of a short-term nature.

The fair values of financial instruments traded in an active market (such as financial instruments held for trading and available-for-sale financial instruments) are based on quoted market prices as at the balance sheet date. A market is regarded as active if quoted prices from an exchange, broker, industry group, pricing service or regulatory authority are easily and regularly available, and provided these prices represent actual and regularly occurring arm's length market transactions. The quoted market price used for the Group's financial assets is the current bid price. These instruments belong to Level 1.

The fair values of financial instruments which are not traded in an active market are determined with the help of valuation techniques. Market data is used as far as possible when such data is available. If all significant inputs required for the fair value measurement of an instrument are observable, the instrument belongs to Level 2.

In cases where one or several significant inputs are not based on observable market information, the instrument is classified as Level 3.

The above table shows financial instruments carried at fair value based on their classification in the fair value hierarchy. The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)

- Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly in the form of quoted prices or indirectly, i.e. derived from quoted prices (Level 2)

- Inputs for the asset or liability which are not based on observable market data (non-observable inputs) (Level 3).

In 2017, no transfers between levels were made.

Notes

29. Changes in net working capital

	Group		GomSpace Group AB	
	2017 T.SEK	2016 T.SEK	2017 T.SEK	2016 T.SEK
Changes in inventories	-5,497	-1,078	0	0
Changes in trade receivables	-16,832	-4,677	-11,238	-310
Changes in other receivables	6,012	-12,308	1,610	-1,969
Changes in trade and other payables	59,814	13,314	-2,596	-15,810
	43,497	**-4,749**	**-12,224**	**-18,089**

30. Result after tax from associates

	Group		GomSpace Group AB	
	2017 T.SEK	2016 T.SEK	2017 T.SEK	2016 T.SEK
Share of profit (loss)	-1,859	-43	0	0
Gain on partial disposal of the interests*	7,053	21,348	0	0
Eliminations**	-538	-4,595	0	0
Foreign exchange adjustments	-3,669	81	0	0
	987	**16,791**	**0**	**0**

*The Group's gain on partial disposal of the interests.
**Elimination of gain on contract work for the associated company.

Investments in associates
The Group established the associated company Aerial & Maritime in December 2016 and agreed on paying share capital in January 2017

Notes

31. Liabilities from financing of debt activities

			Non-cash alterations		
	AT THE BEGINNING OF THE YEAR T.SEK	CASH FLOW T.SEK	ACQUISITION T.SEK	EXCHANGE ADJUSTMENT T.SEK	AT THE END OF THE YEAR T.SEK
GOMSPACE GROUP AB					
Total liabilities from financing of debt activities	**0**	**0**	**0**	**0**	**0**
GROUP					
Long-term debt	7,713	26,282	0	-312	33,995
Short-term debt	5,752	-5,752	0	-121	0
Total liabilities from financing of debt activities	**13,465**	**20,530**	**0**	**-433**	**33,995**

Notes

32. Government grants

Group
During 2017, the Group received T.SEK 8,173 in public grants for development purposes (2016: T.SEK 2,247). Hereof T.SEK 1,018 (2016: T.SEK 0) were recognized in the income statement and T.SEK 7,155 (2016: T.SEK 2,247) are set off against the cost of the assets to which the grants relate. Of the amount, set off against the costs of assets T.SEK 4,182 (2016: T.SEK 1,627) are presented as prepayments.

33. Related parties

Related parties comprise the associated companies, Board of Directors and management team. Furthermore, related parties comprise companies in which the above-mentioned persons have significant interests.

Related parties also comprise subsidiaries in which GomSpace Group AB has controlling influence.

Group
The Group had expenses for office rental, accounting and legal assistance and interest on loans to shareholders (with significant influence over the company) at a total amount of T.SEK 3,745 (T.SEK 1,908 in 2016), apart from management costs in note 5. Payables to shareholders amount to T.SEK 0 as at 31 December 2017 (T.SEK 0 as at 31 December 2016).

The Group has sale of goods and services to associates at a total amount of T.SEK 10,797.

GomSpace Group AB
GomSpace Group AB had the following transactions with subsidiaries and associates:

	2017 T.SEK	11 SEP 2015 - 31 DEC 2016 T.SEK
Transactions with subsidiaries		
Sale of goods and services	21,095	1,683
Purchase of goods and services	17,829	2,650
Receivables on the balance sheet date	11,523	285
Liabilities on the balance sheet date	111	2,087
Transactions with associates		
Sale of goods and services	387	25
Receivables on the balance sheet date	111	25

Notes

34. Business combinations

Acquisitions in 2017
In 2017, there were no business combinations.

In 2017, there were some minor adjustments to the purchase price allocation regarding the acquisition of Nanospace AB, please see below.

Acquisitions in 2016
On 16 October 2016, the Group acquired 100% of the voting shares of NanoSpace AB, an unlisted company based in Sweden. NanoSpace AB develops and provides propulsion technology and products for nanosatellites. The Group acquired NanoSpace AB because it will build up more Swedish activities and have satellite propulsion products in its portfolio alongside the activities already in Gomspace A/S.

The adjustment to the purchase price allocation at 16 October 2016 concerns pre-existing contractual relationship regarding contract work (T.SEK 2,045), which should have been recognized separately from the business combination. Furthermore, an adjustment is made due to known repayments of grants not recognized (T.SEK 1,000 before tax) in the purchase price allocation at 16 October 2016. The tax effect of the adjustments made is T.SEK 735.

Notes

34. Business combinations (continued)

Assets acquired and liabilities assumed
The fair value of the identifiable assets and liabilities of NanoSpace AB as at the date of acquisition was:

	PRELIMINARY 2016 T.SEK	ADJUSTMENTS T.SEK	FINAL 2016 T.SEK
ASSETS			
Technology	12,000	0	12,000
Customer relationships	1,900	0	1,900
Order backlog	500	0	500
Property, plant and equipment	500	0	500
Tax assets	2,900	735	3,635
Non-current assets	**17,800**	**735**	**18,535**
Inventory	100	0	100
Accounts receivables	1,500	0	1,500
Other receivables	7,900	0	7,900
Current assets	**9,500**	**0**	**9,500**
Cash and cash equivalents	**100**	**0**	**100**
	27,400	**735**	**28,135**
LIABILITIES			
Deferred tax	3,200	0	3,200
Non-current liabilities	**3,200**	**0**	**3,200**
Advance payments	800	0	800
Accounts payable	400	0	400
Other liabilities	1,900	3,045	4,945
Current liabilities	**3,100**	**3,045**	**6,145**
	6,300	**3,045**	**9,345**
Total identifiable net assets at fair value	**21,100**	**-2,310**	**18,790**
Goodwill arising on acquisition	1,400	2,310	3,710
Purchase consideration transferred	**22,500**	**0**	**22,500**

Goodwill is attributable to the workforce and the future profitability of the acquired business. It will not be deductible for tax purposes.

Notes

34. Business combinations (continued)

	2016 T.SEK
Purchase consideration	
Ordinary shares issued	19,500
Cash paid	3,000
Total purchase consideration	**22,500**

The fair value of the 600,000 shares issued as part of the consideration paid for NanoSpace AB (T.SEK 19,500) was based on the published share price on 17 October 2016 of SEK 32.5 per share.

Costs related to the acquisition amount to T.SEK 1,233.

	2016 T.SEK
Cash flow from investing activities	
Cash	3,000
Cash and cash equivalents in NanoSpace AB	-100
Cash flow from business combinations	**2,900**

The Group's share of revenue from the acquisition date amounts to T.SEK 2,414 and a profit of T.SEK 450. Had NanoSpace AB been owned throughout the year, the revenue would amount to T.SEK 9,589 and a loss of T.SEK 1,712.

Notes

35. Events after the balance sheet date

Subsequent to the balance sheet date, T.SEK 125,000 were raised through a directed new issue of shares on 8 March 2018. The new share issue was directed to a limited number of Swedish and international institutional investors and the entire amount of T.SEK 125,000 has been paid. Apart from this, no material events have occurred subsequent to the balance sheet date.

36. Proposed distribution of profit (loss)

GomSpace Group AB
The Board of Directors recommends the following distribution of profit (loss) for the year (SEK):

	2017 T.SEK
Share premium	223,622,231
Profit (loss) for the year	-2,112,753
	221,509,478
To be distributed as follows:	
Paid out as dividend	0
Carried forward	221,509,478
	221,509,478

Notes

37. New accounting standards

At the time of publishing these consolidated financial statements, IASB issued new and altered accounting standards and interpretative aids which are not mandatory for GomSpace Group AB when preparing the consolidated financial statements and the annual report for 2017. The approved standards which have not taken effect as well as interpretative aids are implemented in line with these becoming mandatory to the group. From the new and altered accounting policies as well as interpretative aids, it is assessed that solely IFRS 9, IFRS 15 and IFRS 16 to a certain extent may potentially influence recognition and measurement in the consolidated financial statements and the annual report. The group has completed an analysis of the expected effect of IFRS 9 and IFRS 15 whereas the Group has solely performed a preliminary analysis of the expected effect of IFRS 16. A description of the result is given below.

IFRS 9 *Financial Instruments* which replaces IAS 39 alters the classification and the derived measurement of financial assets and liabilities. This standard becomes effective for financial years commencing on 1 January 2018 or later. A new impairment model for financial assets is for instance introduced. The so-called "expected loss" model will require a more timely recognition of the expected loss, both upon initial recognition as well as subsequently compared to the current model where impairment is not recognized until there is an indication of loss ("incurred loss" model). The Group has performed an analysis of the expected impact of the new standard. Based on analyses of the Group's current financial assets, it is assessed that there is an insignificant effect on recognition and measurement.

IFRS 15 *Revenue from Contracts with Customers* which replaces the current revenue standards (IAS 11 and IAS 18) as well as interpretative aids introduces a new model for recognition and measurement of revenue concerning sales contracts with customers. This standard becomes effective for financial years commencing on 1 January 2018 or later. The Group has performed an analysis of the expected influence of the new standards. Based on analyses of the Group's current income as well as contract types, it is assessed that there is an insignificant effect on recognition and measurement.

IFRS 16 *Leases* was published mid-January 2016. The standard which becomes effective for financial years commencing on 1 January 2019 or later, significantly alters the accounting treatment regarding the lease contracts which are currently treated as operating leases. Thereby, the standard requires that all lease contracts, regardless of the type – with a few exceptions – must be recognized in the lessee's balance sheet as an asset, including lease obligation. At the same time, the lessee's income statement will be influenced as the annual costs related to the lease in future will consist of two elements – partly amortization and partly interest costs – in contrast to today where the annual costs concerning operating leases are recognized as one amount under operating expenses. Finally, it is expected that the cash flow statement of the group will be influenced as the operational lease payments which are currently presented as cash flow from operating activities, in future these will be presented as financial activities. Based on a preliminary analysis of the importance of the new standard, the group assesses that this will have some significance on the group's balance sheet and cash flow statement whereas result for the year based on the current lease agreement portfolio will be affected to a minor degree.

Management's Statement

The Board of Directors and the Chief Executive Officer declare that the consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU, and give a true and fair view of the group's financial position and results of operations.

The annual accounts have been prepared in accordance with generally accepted accounting policies and give a true and fair view of the parent company's financial position and results of operations.

The Administration Report for the group and parent company gives a true and fair view of the progress of the group's and parent company's operations, financial position and results of operations, and state the significant risks and uncertainties factors facing the parent company and the companies in the group.

The Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position will be submitted to the Annual General Meeting on 26 April 2018 for adoption.

Stockholm, 28 March 2018

Executive Board

Niels Buus

Board of Directors

Jukka Pekka Pertola
Chairman

Niels Jesper Jespersen Jensen

Anna Hilda Elisabet Rathsman

Carl Erik Jørgensen

Steen Lorenz Johan Hansen

Our audit report was submitted on 28 March 2018

Ernst & Young AB

Martin Henriksson
Authorized Public Accountant,
Auditor-in-charge

Auditor's report

To the general meeting of the shareholders of GomSpace Group AB (publ), corporate identity number 559026-1888.

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of GomSpace Group AB (publ) for the year 2017. The annual accounts and consolidated accounts of the company are included on pages 8-71 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 the parent company as of 31 December 2017 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 2017 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 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 matters

The audit of the annual accounts for 2016 was performed by another auditor who submitted an auditor's report dated 4 April 2017, with unmodified opinions in the Report on the annual accounts.

Other Information than the annual accounts and consolidated accounts

The Board of Directors and the CEO are responsible for the other information. The other information comprises pages 1-7 and page 75 (but does not include the annual accounts, consolidated accounts and our auditor's report thereon).

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 CEO

The Board of Directors and the CEO 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 CEO 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 CEO 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 CEO intend 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.

Auditor's report (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 CEO.

- Conclude on the appropriateness of the Board of Directors' and the CEO'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 CEO of GomSpace Group AB (publ) for the year 2017 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 CEO 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 CEO

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 CEO 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 report (continued)

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 CEO 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 skepticism 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.

Remark

On several occasions during the fiscal year, deducted withholding tax and social security contribution fees have not been reported and paid in due time.

Malmö, 28 March 2018
Ernst & Young AB

Martin Henriksson
Authorized Public Accountant

Financial Calendar

Annual general meeting	26 April 2018
Interim report, January-March 2018	31 May 2018

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Ernst & Young AB

CERTIFIED ADVISOR

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