

Interim Report
for 1 January - 31 December 2016



1 OCTOBER - 31 DECEMBER 2016 (2015)

- Net revenues increased to SEK 17.1 million (12.0)
- Gross margin decreased to 21% (88%)
- Operating profit decreased to SEK negative 16.72 million (5.98)
- The revenue and gross profit has been adjusted due to changes in revenue recognition and due to elimination of partial revenue and profit from Aerial & Maritime Ltd.
- Non-cash profit of associated company Aerial & Maritime Ltd, amounts to SEK 21.4 million dividend for 2016
- Earnings per share were SEK 0.35 (6.12)

1 JANUARY - 31 DECEMBER 2016 (2015)

- Net revenues increased to SEK 54.1 million (34.1)
- Gross margin decreased to 47% (50%)
- Number of employees increased to 77 (30), corresponding to 45 (30) full-time employees
- Operating profit decreased to negative SEK 14.51 million (negative 2.36)
- Earnings per share were SEK 0.62 (negative 3.38)
- The Board of Directors has decided to propose no dividend for 2016

THE FOURTH QUARTER INTERIM REPORT FOR GS SWEDEN AB (PUBL). THE INFORMATION IN THIS INTERIM REPORT IS SUCH THAT GS SWEDEN AB IS REQUIRED TO DISCLOSE IN ACCORDANCE WITH THE EU'S MARKET ABUSE REGULATION AND THE SWEDISH SECURITIES MARKET ACT. THE INFORMATION WAS SUBMITTED FOR PUBLICATION ON FEBRUARY [28], 2017, [08.00] (CET). N.B. THE ENGLISH TEXT IS AN UNOFFICIAL TRANSLATION AND IN THE CASE OF A DISCREPANCY BETWEEN THE SWEDISH TEXT AND THE ENGLISH TRANSLATION, THE SWEDISH TEXT SHALL PREVAIL.

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Message from the CEO

GomSpace (GS Sweden AB) hereby presents its third quarterly report as a listed company on Nasdaq First North, premier in Stockholm.

The result after a growth in revenue at 59% and a gross profit at 47%, is slightly under our growth targets. The revenue and gross profit have been adjusted due to changes in revenue recognition and due to elimination of partial revenue and profit from Aerial & Maritime Ltd. The underlying performance, without adjustments, are however better than our growth plan. The growth in revenue would be 82% and the gross profit would be 53%. The operating profit is SEK -14.5 million and the profit for the year is equal to SEK 9 million. The extraordinary positive result is due to a non-cash financial income at SEK 21,4 million, from the establishment of Aerial & Maritime Ltd. Based on this we conclude, that we are following our growth plan.

The report includes for the first time, our new subsidiary, NanoSpace AB in Uppsala. The integration of this acquisition is going well. It has been an advantage that we, already before the acquisition, had a close collaboration with the company. NanoSpace AB has, until now, focused on developing their product range in collaboration with their initial customers. One consequence of this has been that the margins have not been as high as they could have been. In the following periods, we will focus on bringing the propulsion unit products into a more streamlined batch production and in that way, achieve higher gross margins.

Aerial & Maritime Ltd. has been incorporated in Mauritius and the company's organization is now being established. The Board of Directors in Aerial & Maritime Ltd. have hired an interim CEO. He will organize the company, initiate the marketing activities and prepare for the launch of the satellites.

The establishment of Aerial & Maritime Ltd. has resulted in extraordinary financial income in GS Sweden AB at SEK 21 million from capital fair value on equity gain. Which was not anticipated in our growth plan. This is from the internal financial investment that GomSpace has undertaken for the development of the Airline tracking capability, that Aerial & Maritime Ltd. gains the right to use through this set up.

GomSpace Orbital ApS has signed its first launch contract. The purpose of this activity is to facilitate the necessary launches of the satellites for our own activities, as well as for our customers' activities. The launch partner is LandSpace in China. They were one of the few launch companies that could supply launches in the equatorial region as required for the Aerial & Maritime Ltd. constellation of satellites.

At group level, the status of the investment activities are as follows:

- The product development programs have been initiated and the development of the product portfolio is in progress.
- The new production facilities including a new clean room have been established and will be used for the assembly and testing of nanosatellites.
- The planning and requirement phase for the ERP system has been carried out. The system, has been chosen, and the implementation has been started.
- The preparation phase for the establishment of subsidiaries in Singapore and North America has been concluded and they will begin operation in the beginning of the second quarter of this year.
- We have launched our new homepage that now provides the complete story of where GomSpace is today, and explains how we can serve our customers ranging from providing individual products, to complete nanosatellite based business solutions, as well as explaining how we will keep our shareholders informed.

With our plans in good progression, I will focus on the future development of the nanosatellite business opportunities.

We believe that today Space is still driven more by science and exploration activities than most other commercial sectors, and will continue to be for a long time into the future. But it is our opinion that the low earth sphere of the globe has been explored sufficiently well for the industrial and commercial development to gain momentum. That is especially because most of the underlying demand for this development is driven from activities based on the surface of the earth.

In my view, the exploration of space is not any different than the exploration of the continents which mankind has done throughout history. Once a continent was explored well enough, it became ripe for industrial development and infrastructure was established enabling commercial activities and growth.

Today, the increasing demand from the surface of the earth can be fulfilled by new types of infrastructure in the low earth orbit, providing superior service in areas such as communication, earth observation, navigation and tracking.

To envision how the industrialization of the low earth orbit space will develop over the next decades is a challenging task. If we want to participate in this industrialization it is, however, necessary that we spend time in creating our vision so that we can work towards fulfilling it. We want to proactively participate in creating the future of nanosatellites and not only react when opportunities become obvious in the market.

I often wonder: Did Henry Ford imagine, when he started building affordable cars, that there would be 24 million cars in 1945 or 1 billion 2016? - I doubt it!

Can we see how the low earth space will be developed in 40 years? – We must try!

Before we do that, we need to remember a few facts about nanosatellites; they are very small, individually not very powerful, have a low cost, they are easy to get into space, they can work in swarms covering the globe and, when applied in such a constellation, they become collectively very powerful. They are built using normal commercial off-the-shelf electronic components that ensure that the satellites follow the technological development and rapidly improve performance every year.

These basic conditions make the nanosatellites comparable to our everyday consumer electronics; cheaper, faster and more powerful every year.

Reflecting on this, at GomSpace we will design our satellites to last for 5 years in space, then to be replaced, by new and better models, taking advantage of the continuous push of technological development, just like our personal computers or our mobile phones.

Now, how will this influence our vision for future nanosatellite business in Low Earth Space?

Imagine (1) that all airline passengers in the future will be able to stream video from e.g. Netflix directly to their own devices while in the air. (America Airline has already decided to stop having screens in the airplane, they will, instead, provide local Wi-Fi). That will create a huge demand for bandwidth, that can be provided from new low earth nanosatellite constellations.

Imagine (2) world-wide Internet-of-Things infrastructures based on nanosatellites in low earth orbit allowing service providers to support sparsely populated areas and enter new geographical markets with no upfront investment in setting local infrastructure.

Imagine (3) the new demands for network bandwidth as TV watchers continue to stop watching broadcast channels (distributed via satellite in geostationary orbit) in favor of increased use of on-line interactive entertainment requiring a low-latency network service which can be provided from low-earth orbit.

Imagine (4) more generally that massive networks of nanosatellites with flexible (software defined) radio systems on-board will play the role of today's terrestrial antenna tower hosting the infrastructure of many different radio services. We estimate that 5 to 10 million towers are needed to cover the land based surface of the earth and that nanosatellites will come to complement these and will also take the place of many terrestrial towers in operation today.

Some niche services can be realized with constellations of a few dozen nanosatellites, global solutions require a few hundreds, and high-performance communication services will require thousands of nanosatellites in orbit to meet the demands. Tallying up over the number of possible services and expecting competition within each service and segment, we arrive at almost mind-dazzling numbers (in today's context) for the future nanosatellite population.

Based on this line of thought, it is my firm belief that in a few decades from now we may come to see some hundred thousand nanosatellites, of which 20% will be replaced every year as a consequence of a 5 year lifetime, operating in the low earth orbit sphere providing critical infrastructures supporting our economy. Consequently, the space business will come to be dominated by the nanosatellite manufacturers who can continue to offer improved performance as new generations of satellites are put into operation.

We also see that the opportunities for launching satellites will vastly increase in the coming years as many new launch vehicles are being introduced on the market by an increasing number of providers. This will lead to reduced launch costs and to the improved availability required to support the launch of many new nanosatellites.

As like when the first automobile came out onto the roads, people were worried about accidents, so it is with the growth of the space business – we are fully confident that the industry and regulators will develop the right technology and procedures to ensure safe utilization of space for all purposes in the new paradigm of space industrialization.

A bold vision will be our guiding star, but the path to it is one of efficient execution to reach our daily, monthly and yearly business goals! With the steps we have taken since the IPO, fueled by the increase in demand that we continuously are constantly facing, we are very eager to contribute to the industrialization of the low earth sphere.

Stockholm, 28 February 2017



A handwritten signature in blue ink, which appears to be 'Niels Buus'. The signature is stylized and written over a horizontal line.

Niels Buus
CEO

Significant events during the period

GomSpace enters into a turn-key contract with Aerial & Maritime Ltd (21 December 2016)

December 21, 2016 – GomSpace ApS (“GomSpace”) and Aerial & Maritime Ltd (“A&M”), subsidiaries and associated companies of GS Sweden AB (the “Company”), have entered into a turn-key delivery contract, whereas GomSpace will design, deliver, launch and commission a constellation of satellites into a low-inclination Equatorial orbit. The delivery of the satellites and launch will take place in 2018. The contract has a value of approximately USD 6.0 million.

GomSpace enters a turn-key contract with the Colombian Air Force (21 December 2016)

December 21, 2016 – GomSpace ApS - a subsidiary of GS Sweden AB (the “Company”) has entered into a turn-key contract to deliver, launch and commission a satellite for the Colombian Air Force. The Earth observation satellite will be able to serve a wide range of applications, such as studying land usage, planning urban development, detecting illegal crops, monitoring natural disaster effects, etc. The delivery of the satellite and launch will take place in the first quarter of 2018.

Aerial & Maritime Ltd. and Flightradar24 AB enters into comprehensive Business Cooperation Agreement (20 December 2016)

December 20, 2016 - Aerial & Maritime Ltd (“A&M”) a subsidiary of GS Sweden AB (“GomSpace” or the “Company”) has entered a business cooperation agreement with the Swedish company Flightradar24 AB (“FR24”). A&M and FR24 intend to jointly identify new business opportunities and secure new customers and partnerships within a joint flight data service. The cooperation between the parties shall form the basis for creating and enhancing the market for both of the companies, visibility and shall support a joint flight data service and establish sustainable business relationships in the professional aviation and air traffic management industry. The parties aim to develop and design a future joint flight data service which shall be available as of the commencement of A&M’s space based infrastructure.

GomSpace and IFU sign an investment agreement for Aerial & Maritime Ltd. (28 November 2016)

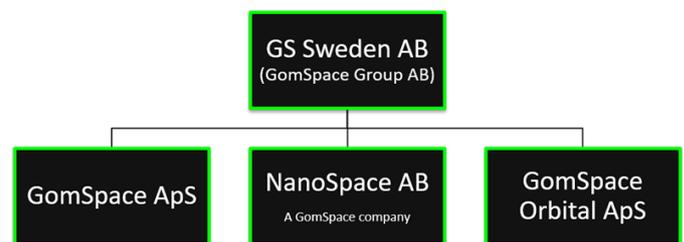
November 28, 2016 - Aerial & Maritime Ltd (“A&M”) a subsidiary of GS Sweden AB (“GomSpace” or the “Company”) has secured an investment of USD 7,2 million from GomSpace, the Investment Fund for Developing Countries (“IFU”) and an African investor for financing of the activities of A&M. The objective of A&M is to own and operate a constellation of nanosatellites to be launched into a low-inclination Equatorial orbit. The satellites will be capable of monitoring the whereabouts of civilian aircraft and vessels in an area spanning from 37

Degrees Northern to 37 Degrees Southern Latitude using ADS-B and AIS signals, respectively. A&M will have its own management independent from GomSpace.



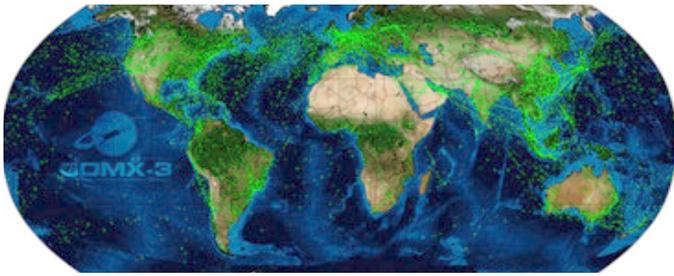
GomSpace is incubating a new subsidiary in Mauritius for tracking commercial aircraft and merchant ships in the equatorial region (14 November 2016)

On November 14, 2016, GS Sweden AB (the “Company” or “GomSpace”) registered a new subsidiary – Aerial & Maritime Ltd. The company has been incorporated in Mauritius. The aim of Aerial & Maritime Ltd (“A&M”) is to own and operate a constellation of nanosatellites to be launched into a low-inclination equatorial orbit. These satellites will be capable of monitoring the whereabouts of civilian aircraft and sea vessels in an area spanning from 37 Degrees North to 37 Degrees South Latitude, using ADS-B and AIS signals, respectively.



GomSpace establishes a new Danish subsidiary to facilitate satellite launches (11 November 2016)

On November 11, 2016, GS Sweden AB (the “Company” or “GomSpace”) registered a new Danish subsidiary - GomSpace Orbital ApS (“Orbital”). The object of GomSpace Orbital ApS (“Orbital”) is to develop projects and establish partnerships to help facilitate access in order to launch services to all GomSpace customers within the Group. The establishment of the new Danish subsidiary does not entail any direct costs for the Company, other than a contribution of share capital. Orbital is expected to contribute to the turnover and results of the operations of GomSpace on a long-term basis.



GomSpace – GOMX-3 mission completed and de-orbited according to plan (21 October 2016)

In a press release from the 21st of October, GomSpace ApS announced that the successful GomX-3 satellite reentered the atmosphere over the North Atlantic Ocean and in the process burned up completely. The satellite, designed to be fully compliant with Space Debris Mitigation Guidelines by the United Nations to ensure a safe reentry process for a satellite, and its mission was successfully concluded.



GomSpace completed the acquisition of NanoSpace AB and registered newly issued shares as a result of this acquisition (18 October 2016)

The acquisition of NanoSpace has been finalized, with a payment of 600,000 newly issued shares as part of the cash payment of SEK 3,000,000. The result is share capital of SEK 1,715,513.38 divided between a total number 24,507,334 shares.

GomSpace completes acquisition of NanoSpace AB (16 October 2016)

The non-binding Letter of Intent to acquire 100% of NanoSpace AB, announced in a press release on 19 August 2016, stipulated that GomSpace ApS would begin its due diligence to acquire NanoSpace AB. This due diligence work is now completed and GomSpace ApS has acquired NanoSpace AB. The purchase will be paid for with 600,000 newly issued shares and a cash payment of SEK 3,000,000, implying an approximate dilution of 2.75% for the current shareholders. Niels Buus, CEO at GomSpace, emphasises that the acquisition of NanoSpace AB underpins the Company's stated intent to build a substantial presence in Sweden in order to expand engineering capabilities and further develop its business.



ESA and GomSpace Sign Contract to Launch Advanced Nanosatellite (10 October 2016)

In October 2016, ESA and GomSpace signed a contract with a value of € 1.2M, to launch the advanced 6U nanosatellite GomX-4B. GomSpace will assume prime responsibility for the satellite platform, the inter-satellite communication subsystem and for the integration of partner contributions and NanoSpace, who will be delivering the cold-gas propulsion system for station keeping. GomX-4B is to be launched, together with GomX-4A, to demonstrate inter-satellite linking and station keeping capabilities. The launch of both the GomX-4B and GomX-4A is scheduled for the end of 2017, with the planned mission operations to be completed during 2018.



AISTECH places an order in an amount of € 200,000 with GomSpace for the delivery of a full platform and payload for their first nanosatellite (4 October 2016)

GomSpace's record of 40 successful space missions has been a key factor in AISTECH's decision to place an order with GomSpace totalling € 200,000. AISTECH wishes to set up a nanosatellite network focussing on three business areas: Asset tracking and bidirectional communication, thermal imaging from space and aviation tracking and position management – where GomSpace's CEO Niels Buus is confident that GomSpace will be able to ensure that AISTECH's requirements are fulfilled. The CEO states that he believes that the Company's platforms and nanosatellites will help AISTECH achieve its goals in space.

Significant events after the accounting period

North American space company places order with GomSpace for a 6U Nanosatellite Platform, to be used in their upcoming multi-band demoflight (26 January 2017)

GomSpace ApS - a subsidiary of GS Sweden AB (the "Company") has entered a contract of approximately SEK 1.5 million to deliver a 6U platform for an advanced Nanosatellite demonstrator to an undisclosed North American space company.

NanoSpace receives commercial order to supply components to TURKSAT 6A (26 January 2017)

NanoSpace AB - a subsidiary of GS Sweden AB ("GomSpace" or the "Company") - has received an order for Xenon flow control components from The Scientific and Technological Research Council of Turkey - Space Technologies Research Institute ("TUBITAK UZAY") in Ankara.

The Xenon flow control components will be used onboard the geosynchronous telecommunication satellite, TURKSAT 6A, that is scheduled for launch in 2020. The value of this order is in the range SEK 1,7 to 2,5 million depending on optional items.

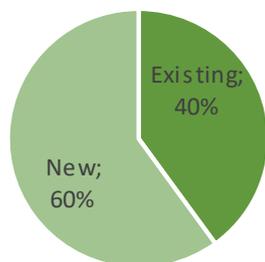
Financial performance in the fourth quarter of 2016 (2015)

Revenue

1 OCTOBER - 31 DECEMBER 2016 (2015)

Revenues for the fourth quarter of 2016 amounted to SEK 17.1 million (12.0), corresponding to an increase of 43% compared with the same period in 2015.

The increase in revenue reflects one time corrections eliminating partial revenue from the associated entity, Aerial & Maritime. Furthermore, revenue recognition regarding sales of goods has changed from recognition point of time to percentage of completion. The reason why we change this is that we have undertaken an assessment of impact of the new IFRS 15 standard. This assessment concluded that the underlying conditions for delivering products is shifting towards customisation and, therefore, in an accounting perspective should be recognised as contract work. The change has an minor decreasing effect on revenue in 2015. Because of the insignificant effect, the comparative figures have not been corrected. The impact of the above changes decreases revenue by SEK 7.9 million.



In fourth quarter, sales to new customers represented 60% of revenues.

1 JANUARY - 31 DECEMBER 2016 (2015)

Total revenues for the year amounted to SEK 54.1 million (34.1), corresponding to an increase of 59% compared with 2015. The growth is composed of the acquisition of NanoSpace, 7%, and of organic growth, 52%. The decrease in revenue as explained above, had a negative impact of 23% on the organic growth. The total underlying growth from acquisitions and organic growth is 82%.

Sales to new customers in 2016 represented the equivalent of 47% of revenues.

Expenses

1 OCTOBER - 31 DECEMBER 2016 (2015)

Operating expenses for the fourth quarter of 2016 amounted to SEK 33.8 million (6.0), corresponding to an increase of 464%. Overhead expenses without cost of goods sold, increased to SEK 20.4 million (4.6), corresponding to an increase of 342%. The increased cost is mainly due to acquisition of NanoSpace AB and a higher level of activity in hiring new employees within Sales, Marketing, Distribution and Administration. The expansion of the sales and back office functions is in line with our business plan.

1 JANUARY - 31 DECEMBER 2016 (2015)

Operating expenses for the year amounted to SEK 68.7 million (36.4), corresponding to an increase of 88%. In 2016, the overhead capacity, expenses excluding cost of goods sold, increased to SEK 39.7 million (19.6), corresponding to an increase of 103%.

Profitability

1 OCTOBER - 31 DECEMBER 2016 (2015)

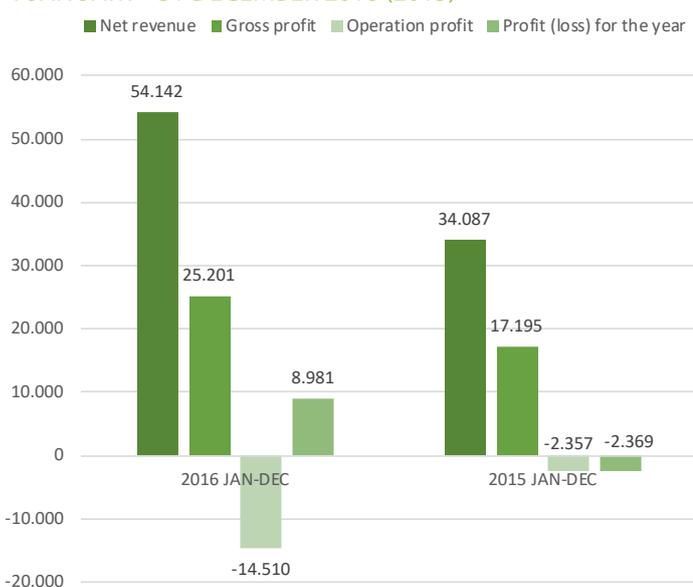
In the fourth quarter 2016, gross profit amounted to SEK 3.6 million (10.6), corresponding to a decrease of 66% compared with the same period in 2015. In the fourth quarter 2016, the gross margin is 21% compared with the same period in 2015 when the gross margin was 88%.

The consequence of the partial elimination and changed recognition of revenue (see explanation in revenue) also impacted our cost of goods sold and, therefore, gross profit. The impact on gross profit is a decrease of SEK 7.6 million. The underlying gross margin, without partial elimination and changed revenue recognition, is 45%.

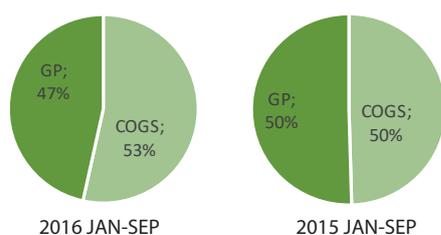
The impact of consolidating NanoSpace decreased our gross margin by 2%.

The gross profit in fourth quarter 2015 was effected by an adjustment on development projects in progress and by a minor adjustment on Inventory. These effects would have decreased the gross margin by SEK 2.5 million, resulting a gross margin on 68% compared with the reported 88% in fourth quarter 2015. Nevertheless, the performance in the fourth quarter 2015 was strong.

1 JANUARY - 31 DECEMBER 2016 (2015)



For 2016, gross profit amounted to SEK 25.2 million (17.2), corresponding to an increase of 47% compared with the same period in 2015.



The gross margin is 47%. (50%)

The impact of the partial elimination and changed recognition of revenue on gross profit year to date is a decrease of SEK 7.6 million. The underlying gross margin without partial elimination and changed revenue recognition is 53%.

1 OCTOBER - 31 DECEMBER 2016 (2015)

In the fourth quarter 2016, operating profit amounted to a negative SEK 16.7 million (6.0), corresponding to an decrease of 380% compared with the same period in 2015. The operating costs increased, which is expected and which is in line with our business plan, therefore the increased expenses for sales, marketing, distribution, research, development and administration are expected.

As a consequence of the acquisition of NanoSpace AB, we have one time expenses for due diligence and IT integration and accounting with an impact of SEK 2.0 million.

1 JANUARY - 31 DECEMBER 2016 (2015)

For 2016, operating profit amounted to negative SEK 14.5 million (negative 2.4), corresponding to an decrease of 516% compared with 2015. The operating margin is a negative 27%. The operating costs have increased which is expected and is in line with our business plan. Furthermore, there have been acquisition and integration costs as regards NanoSpace AB.

1 OCTOBER - 31 DECEMBER 2016 (2015)

In fourth quarter 2016, the share of profit of associates amounts to SEK 21.4 million which is a fair value adjustment of the gain on the partial disposal of Aerial & Maritime Ltd.

Net financial items for the fourth quarter had a negative effect on profit. Net financial items amounted to a negative SEK 0.4 million (negative 0.5). GS Sweden AB (publ) had an effective tax rate of a positive 97.5% (21.4%) in the fourth quarter.

1 JANUARY - 31 DECEMBER 2016 (2015)

Net financial items for the year had a negative effect on profit. Net financial items amounted to a negative SEK 1.4 million (negative 0.8). The primary reason for this is that GS Sweden AB (publ) has taken out a long-term growth loan, and is also due to a higher utilisation of credit facilities. GS Sweden AB (publ) had an effective tax rate of a positive 63.7% (24.1%) in 2016. The high effective tax rate is due to the gain in the share of profit in associates.

Investments

1 OCTOBER - 31 DECEMBER 2016 (2015)

Investments in intangible assets amounted to SEK 4.8 million (2.6) for the fourth quarter. Investments in property, plant and equipment amounted to SEK 2.18 million (0.02). We have strengthened our product development programs in the fourth quarter.

1 JANUARY - 31 DECEMBER 2016 (2015)

Investments in intangible assets amounted to SEK 8.0 million (5.5) for 2016. Investments in plant and equipment mounted to SEK 4.1 million (0.6). Investments in intangible assets refer to the development of new products. Investments in plant and equipment refer to a new clean room and computer equipment undertaken in order to maintain capacity and performance in pace with the growth of GS Sweden AB (publ).

Cash and cash equivalents, financing and financial position

1 OCTOBER - 31 DECEMBER 2016 (2015)

Cash flow from operating activities amounted to a negative SEK 12.7 million (negative 1.9) during the fourth quarter. Cash flow from investing activities was negative in an amount of SEK 9.9 million (negative 2.6). Cash flow from financing activities of SEK 0.6 million is an adjustment of IPO costs.

1 JANUARY - 31 DECEMBER 2016 (2015)

Cash flow from operating activities amounted to a negative SEK 17.4 million (negative 11.2) during the year. Cash flow from investing activities was negative in an amount of SEK 15.0 million (negative 6.1). Cash and cash equivalents amounted to SEK 68.1 million (negative 5.1) at the end of the quarter. GS Sweden AB (publ)'s working capital totalled SEK 10.4 million (13.8).

In working capital there is a one time liability of SEK 19.9 million regarding Aerial & Maritime Ltd. an associated company. Adjusted working capital amounts to SEK 30.3 million.

The increase in working capital is mainly due to the increase in contract work, totalling SEK 23.1 million (6.7), which is the equivalent to an increase of SEK 9.6 million. Contract work is comprised of major projects, 26 (12), and minor projects (standard products), 28 (0), where the value of governmental and institutional contracts is more than 64% of the total value of contract work. The average value of each individual major project has increased significantly compared with the same period in 2015.

Receiveables amounts to SEK 21.3 million (8.5), corresponding to an increase of SEK 12.8 million.

The total amount of contract work and receiveables is unexpectedly high due to governmental and institutional customers. We consider the solvency of our customers to be at a high level and have no indication of doubtful receivables.

Credit risks

The Group is exposed to credit risks and other financial risks, such as market risks, including foreign exchange, interest and liquidity risks. These risks are described in the Combined Financial Statements for 2013-2015.



Market development

In recent years, the nano- and micro-satellite technology has gained foothold in the satellite market and is expected, according to data from SpaceWorks Commercial Inc., to grow more than the conventional satellite market. Nanosatellites, or cube-satellites, are having a disruptive effect on the satellite market by lowering the barriers for enabling space-based applications. This, in turn, leads to the proliferation of the space economy and to innovation in new business models and areas benefiting from space-based assets

We see developments in the market's three phases:

The first, during which the use of nanosatellites was demonstrated, is now over.

The second is the phase in which defined global mission types are being demonstrated that can lead to specific services with large satellite constellations. This phase will always comprise an important phase in an investment in large constellations. At the current size of the nanosatellites market, these activities will continue to drive high growth in that market.

The third phase is the investment in full constellations to provide services to end-users. Here, there are a few projects underway, but we expect that the larger projects will come in 2 or 3 years from now as the demonstration projects mentioned above delivers. At that time, we expect that the nanosatellite market will grow dramatically during a period of 10 to 15 years. This expected market development is backed by increasing institutional support shown by the space agencies and institutional sponsors of nanosatellite technology development and demonstrations. For example, at the ministerial meeting of the European Space Agency in December of 2016, new budget commitments were undertaken by the member states and the increased support for innovation and demonstration was confirmed.

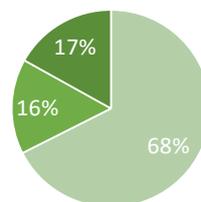
Furthermore, an increase in interest, through formal Request For Information (RFI) calls, is currently being experienced by traditional satellite operators and systems integrators, who are preparing to utilise nanosatellites in future commercial constellations.

An increase in regulatory filings for future satellite constellations under planning/development is also seen which supports the expectation of increasing activity in the sector. Many of these filings suggest new constellations, employing hundreds, and even thousands, of satellites primarily for communication applications. As regulatory activities precede procurement and deployment activities, this picture is consistent with the expectations for the anticipated third phase of market development.

Other

Employees

As at 31 December 2016, GS Sweden AB (publ) had 77 (30) employees, corresponding to 45 (30) full-time/year employees. Employees working with the cost of goods sold and in research and development, totalled 52 (20), with sales and distribution, 12 (6), and in administration there were 13 (4) employees.



Employees involving cost of goods sold, research and development 52 (20)
Sales and distribution 12 (6)
Administration 13 (4)

Number of shares

On 31 December 2016, the total number of outstanding shares in GS Sweden AB (publ) was 24,507,334, following the issue of 600,000 new shares in conjunction with the acquisition of NanoSpace AB.

Parent Company

The Parent Company, GS Sweden AB (publ), was founded on 11 September 2015 through the registration of share capital totalling SEK 50,000. The Parent Company had total revenues of TSEK 830 in the fourth quarter of 2016 and TSEK 1,708 for the year. The Parent Company incurred total costs of SEK 5.1 million in the fourth quarter of 2016, and SEK 30.4 million in 2016, primarily attributable to the IPO. A total of SEK 22.5 million has been deducted from the share premium. The operating results for the fourth quarter 2016 are a negative SEK 4.9 million and SEK negative 6.1 million for the year. The net loss for the fourth quarter is SEK 5.1 million and SEK 6.4 million for 2016.

The Parent Company's cash and net cash amounted to SEK 70.4 million as at 31 December 2016. Equity amounted to SEK 129.4 million as at 31 December 2016.

The Group consists of GS Sweden AB (publ) (Reg. No. 559026-1888), GomSpace ApS (Reg. No. 30899849), NanoSpace AB (Reg. No. 556643-0475) and GomSpace Orbital ApS (Reg. No. 38173561). GomSpace ApS, NanoSpace AB and GomSpace Orbital ApS is the operating companies within the Group.

GS Sweden AB (publ) incorporated GomSpace ApS through a non-cash issue on 28 April 2016, NanoSpace AB through a acquisition on 16 October 2016 and GomSpace Orbital ApS was established on 11 November 2016.

The Board's proposal to the Annual General Meeting 2017

The Board proposes that no dividend be paid for fiscal year 2016.

Group

- Key figures and ratios

	JAN-DEC 2016 T.SEK	JAN-DEC 2015 T.SEK
KEY FIGURES		
Net revenue	54,142	34,087
Gross profit	25,201	17,195
Operating profit	-14,510	-2,357
Net financial items	-1,389	-766
Profit/loss before tax	5,487	-3,123
Profit/loss for the the year	8,981	-2,369
Investments in PPE	4,121	573
Total assets	206,048	30,067
Equity	146,106	13,816
Total liabilities	59,942	16,251
RATIOS		
Gross margin	47%	50%
Operating margin	-27%	-7%
Net margin	17%	-7%
Return on invested capital (%)	4%	-8%
Return on equity (%)	11%	-22%
Equity ratio (%)	71%	46%
Earnings per share, basic and diluted	0.62	-3.38
Number of outstanding shares, average	14,592,504	700,000

Definition of key figures and ratios are defined in Note 1

Consolidated income statement

	2016 OCT-DEC T.SEK	2015 OCT-DEC T.SEK	2016 JAN-DEC T.SEK	2015 JAN-DEC T.SEK
Net revenue	17,062	11,969	54,142	34,087
Cost of goods sold	-13,421	-1,392	-28,941	-16,892
Gross profit	3,641	10,577	25,201	17,195
Sales and distribution costs	-6,140	-1,389	-15,473	-7,213
Research and development costs	-3,356	-2,382	-6,812	-7,847
Administrative costs	-10,867	-831	-17,426	-4,492
Operating profit	-16,722	5,975	-14,510	-2,357
Share of profit of associates	21,386	0	21,386	0
Finance income	244	0	525	163
Finance expenses	-618	-527	-1,914	-929
Profit (loss) before income tax	4,290	5,448	5,487	-3,123
Income tax	4,184	-1,166	3,494	754
Profit (loss) for the year	8,474	4,282	8,981	-2,369
Profit (loss) is attributable to				
Owners of GS Sweden AB (publ)	8,474	4,282	8,981	-2,369
	8,474	4,282	8,981	-2,369
Earnings per share, basic and diluted, SEK	0.35	6.12	0.62	-3.38
Earnings per share, basic and diluted, SEK based on same method as in combined financial statements 2013-2015	0.35	0.31	0.48	-0.17
Number of outstanding shares, average	24,401,839	700,000	14,592,504	700,000
Number of outstanding shares, average based on same method as in combined financial statements 2013-2015	24,401,839	13,857,384	18,846,124	13,857,384

Consolidated statement of comprehensive income

	2016 OCT-DEC T.SEK	2015 OCT-DEC T.SEK	2016 JAN-DEC T.SEK	2015 JAN-DEC T.SEK
Profit (loss) for the period	8,474	4,282	8,981	-2,369
Items which may be reclassified to the income statement:				
Foreign exchange rate adjustments	-307	-334	890	-482
Other comprehensive income for the period, net of tax	-307	-334	890	-482
Total comprehensive income for the period	8,167	3,948	9,871	-2,851
Total comprehensive income for the period is attributable to:				
Owners of GS Sweden AB (publ)	8,167	3,948	9,871	-2,851
	8,167	3,948	9,871	-2,851

Consolidated statement of financial position

	Note	31 DEC 2016 T.SEK	31 DEC 2015 T.SEK
Goodwill		1,400	0
Technology		11,800	0
Completed development projects		6,033	2,452
Development projects in progress		6,197	5,970
Other intangible assets		3,317	0
Intangible assets		28,747	8,422
Property, plant and equipment		6,365	697
Property, plant and equipment		6,365	697
Fixed asset investments		36,723	0
Deferred tax		4,093	0
Other non-current assets		4,093	0
Total non-current assets		75,928	9,119
Raw materials and consumables		4,266	2,907
Inventories		4,266	2,907
Contract work		28,237	7,024
Trade receivables		13,933	6,587
Income tax receivable		2,529	1,258
Other prepayments		656	0
Other receivables		6,686	1,897
Receivables		52,041	16,766
Marketable securities		10	7
Cash and cash equivalents		73,803	1,268
Total current assets		130,120	20,948
Total assets		206,048	30,067

Consolidated statement of financial position

	Note	31 DEC 2016 T.SEK	31 DEC 2015 T.SEK
Share capital		1,716	973
Share premium		137,337	15,661
Translation reserve		1,085	195
Retained earnings		5,968	-3,013
Total equity		146,106	13,816
Credit institutions		6,179	3,672
Deferred taxes		3,143	889
Total non-current liabilities		9,322	4,561
Current portion of non-current liabilities		1,534	737
Credit institutions		5,752	6,359
Trade payables and other payables		29,565	2,063
Contract work		5,089	285
Prepayments		1,627	0
Other liabilities		7,053	2,246
Total current liabilities		50,620	11,690
Total liabilities		59,942	16,251
Total equity and liabilities		206,048	30,067

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 01.01.2015	973	6,785	677	-714	7,721
Total comprehensive income for the period	0	0	-482	-2,369	-2,851
Total comprehensive income for the period	0	0	-482	-2,369	-2,851
Transactions with owners in their capacity as owners					
Increase in share capital	0	8,946	0	0	8,946
Decrease in share capital	0	-70	0	70	0
Equity 31.12.2015	973	15,661	195	-3,013	13,816
Equity 01.01.2016	973	15,661	195	-3,013	13,816
Total comprehensive income for the period	0	0	890	8,981	9,871
Total comprehensive income for the period	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
IPO costs	0	-21,421	0	0	-21,421
Increase in share capital, costs	0	-661	0	0	-661
Equity 31.12.2016	1,716	137,337	1,085	5,968	146,106

Consolidated statement of cash flow

	2016 OCT-DEC T.SEK	2015 OCT-DEC T.SEK	2016 JAN-DEC T.SEK	2015 JAN-DEC T.SEK
Profit before tax	4,290	5,448	5,487	-3,123
Reversal of financial items	374	527	1,389	766
Depreciation and amortizations	1,285	342	2,798	1,528
Non-cash items	-20,954	0	-20,954	0
Changes in inventories	-344	-233	-1,078	429
Changes in trade receivables	-7,505	-2,956	-4,677	-945
Changes in other receivables	-973	-3,694	-12,308	-5,982
Changes in trade and other payables	11,517	-843	13,314	-3,169
Cash flows from primary operating activities	-12,310	-1,409	-16,029	-10,496
Received interest	181	-7	461	161
Paid interest	-590	-484	-1,800	-893
Cash flow from operating activities	-12,719	-1,900	-17,368	-11,228
Investments in non-current assets	-6,950	-2,619	-12,076	-6,062
Sales of non-current assets	0	0	4	0
Acquisition of a subsidiary, net of cash acquired	-2,900	0	-2,900	0
Cash flow from investing activities	-9,850	-2,619	-14,972	-6,062
Borrowings	0	3,768	3,740	3,768
Repayment of borrowings	0	0	-776	0
Capital increase	0	1,668	125,000	8,946
IPO costs	588	0	-21,421	0
Capital increase, costs	0	0	-661	0
Cash flow from financing activities	588	5,436	105,882	12,714
Net cash flow for the year	-21,981	917	73,542	-4,576
Cash and cash equivalents, beginning of the year	90,016	-6,121	-5,091	-620
Unrealized exchange rate gains and losses on cash	16	113	-400	105
Cash and cash equivalents, end of the year	68,051	-5,091	68,051	-5,091
Reconciliation of cash and cash equivalents				
Cash and cash equivalents according to the balance sheet	73,803	1,268	73,803	1,268
Credit institutions, current, according to the balance sheet	-5,752	-6,359	-5,752	-6,359
Cash and cash equivalents according to the cash flow statement	68,051	-5,091	68,051	-5,091

Parent Company income statement

	2016 OCT-DEC T.SEK	2015 OCT-DEC T.SEK	2016 JAN-DEC T.SEK	2015 JAN-DEC T.SEK
Net revenue	830		1,708	
Gross profit	830	0	1,708	0
Administrative costs	-5,693		-7,846	
Operating profit	-4,863	0	-6,138	0
Finance income	17		17	
Finance expenses	-236		-247	
Profit (loss) before income tax	-5,082	0	-6,368	0
Profit (loss) for the year	-5,082	0	-6,368	0
Profit (loss) is attributable to				
Owners of GS Sweden AB (publ)	-5,082	0	-6,368	0
	-5,082	0	-6,368	0
Earnings per share, basic and diluted, SEK	-0.21	0.00	-0.44	0.00

Parent Company

statement of comprehensive income

	2016 OCT-DEC T.SEK	2015 OCT-DEC T.SEK	2016 JAN-DEC T.SEK	2015 JAN-DEC T.SEK
Profit (loss) for the period	-5,082	0	-6,368	0
Items which may be reclassified to the income statement:				
Other comprehensive income for the period, net of tax	0	0	0	0
Total comprehensive income for the period	-5,082	0	-6,368	0
Total comprehensive income for the period is attributable to:				
Owners of GS Sweden AB (publ)	5,082	0	-6,368	0
	-5,082	0	-6,368	0

Parent Company

statement of financial position

	31 DEC 2016 T.SEK	31 DEC 2015 T.SEK
ASSETS		
GomSpace ApS	36,891	
NanoSpace AB	23,850	
GomSpace Orbital ApS	65	
Aerial & Maritime Ltd.	19,932	
Fixed asset investments	80,738	0
Total non-current assets	80,738	0
Trade receivables	310	
Other prepayments	90	
Other receivables	1,879	
Receivables	2,279	0
Cash and cash equivalents	70,434	50
Total current assets	72,713	50
Total assets	153,451	50
EQUITY AND LIABILITIES		
Share capital	1,716	50
Share premium	134,049	
Retained earnings	-6,368	
Total equity	129,397	50
Trade payables and other payables	24,054	
Total current liabilities	24,054	0
Total liabilities	24,054	0
Total equity and liabilities	153,451	50

Parent Company

statement of changes in equity

	SHARE CAPITAL T.SEK	SHARE PREMIUM T.SEK	RETAINED EARNINGS T.SEK	TOTAL EQUITY T.SEK
Equity 01.01.2015	0	0	0	0
Total comprehensive income for the period	0	0	0	0
Equity 31.12.2015	50	0	0	50
Equity 01.01.2016	50	0	0	50
Total comprehensive income for the period			-6,368	-6,368
Increase in share capital	1,736	156,530		158,266
IPO costs		-21,890		-21,890
Increase in share capital, costs		-661		-661
Decrease in share capital	-70	70		0
Equity 31.12.2016	1,716	134,049	-6,368	129,397

Notes to the interim consolidated financial statements

1. Accounting policies

Basis of preparation

As GS Sweden AB (publ) is a newly established off-the-shelf company which has not conducted any business, the consolidated financial statements of GS Sweden AB (publ) will be prepared as a continuation of the GomSpace ApS. This is due to the fact that the transaction whereby GS Sweden AB (publ) was established as the new Parent Company is merely a reorganization of the Group in which GomesSpace ApS is the accounting Parent Company. Accordingly, the consolidated financial statements of GS Sweden AB (publ) have been prepared on this basis. The consolidated financial statements of GS Sweden AB (publ) are, in all essential aspects, consistent with the combined financial statement presented in the Prospectus /combined financial statements 2013-2015

This implies that the predecessor values of the GomesSpace ApS, which have been reported internally on a consolidated basis in accordance with IFRS as adopted by the EU, have been applied. No adjustments have been made to the values of the assets and liabilities compared with the historically reported values.

GS Sweden AB (publ) applies International Financial Reporting Standards (IFRS) as adopted by the EU. The accounting principles adopted are consistent with those described in the Prospectus (available at http://gomspace.com/UserFiles/Investor%20relations/GS_Group_-_GomSpace_Financial_Report_2013_-_2015_English.pdf). There are no new accounting principles applicable from 2016 that significantly affect GS Sweden AB (publ). This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The Parent Company applies the Swedish Annual Accounts Act and RFR 2 Reporting for legal entities.

Key ratios definitions

Gross margin	=	$\frac{\text{gross profit} \times 100}{\text{net revenue}}$
Operating margin	=	$\frac{\text{operating profit} \times 100}{\text{net revenue}}$
Net margin	=	$\frac{\text{profit for the year} \times 100}{\text{net revenue}}$
Return on invested capital	=	$\frac{\text{profit for the year} \times 100}{\text{total assets}}$
Return on equity	=	$\frac{\text{profit for the year} \times 100}{\text{average equity}}$
Equity ratio	=	$\frac{\text{equity} \times 100}{\text{total assets}}$
Earning per share	=	$\frac{\text{profit for the year}}{\text{number of shares}}$

The interim report information on pages 1-11 constitute an integrated part of this financial report.



2. Classification of financial assets and liabilities

	FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS HELD FOR TRADING	LOANS AND RECEIVABLES	OTHER FINANCIAL LIABILITIES	TOTAL	CARRYING AMOUNT	FAIR VALUE LEVEL 1
	T.SEK	T.SEK	T.SEK	T.SEK	T.SEK	T.SEK
DECEMBER 31, 2016						
ASSETS						
Trade and other receivables		48,856		48,856	48,856	
Marketable securities	10			10		10
Cash and cash equivalents		73,803		73,803	73,803	
Total Assets	10	122,659	0	122,669	122,659	10
LIABILITIES						
Credit institutions			13,465	13,465	13,465	
Trade payables and other payables			36,618	36,618	36,618	
Prepayments			6,716	6,716	6,716	
Total liabilities	0	0	56,799	56,799	56,799	0
DECEMBER 31, 2015						
ASSETS						
Trade and other receivables		15,508		15,508	15,508	
Marketable securities	7			7		7
Cash and cash equivalents		1,268		1,268	1,268	
Total Assets	7	0	0	16,783	16,776	7
LIABILITIES						
Credit institutions			10,768	10,768	10,768	
Other non-current loans			0	0	0	
Trade payables and other payables			4,309	4,309	4,309	
Prepayments			285	285	285	
Total liabilities	0	0	19,771	19,771	15,362	0

The fair value of liabilities to credit institutions and of other non-current loans is deemed to be equal to their 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 balance sheet date. A market is regarded to be 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 2016, no transfers between Levels took place.



3. Business Combinations

Acquisitions in 2016

On 16 October 2016, the Group acquired 100% of the voting shares of NanoSpace, 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 in addition to the activities already in Gomspace ApS.

The Group has elected to measure the non-controlling interests in the acquiree at fair value.

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of NanoSpace AB as at the date of acquisition were:

	2016 T.SEK
ASSETS	
Technology	12,000
Customer relationships	1,900
Order backlog	500
Tangible assets	500
Tax assets	2,900
Non-current assets	17,800
Inventory	100
Accounts receivables	1,500
Other receivables	7,800
Current assets	9,400
Cash and cash equivalents	200
	27,400
LIABILITIES	
Deferred tax	3,200
Non-current liabilities	3,200
Advance payments	800
Accounts payable	400
Other liabilities	1,900
Current liabilities	3,100
	6,300
Total identifiable net assets at fair value	
Non-controlling interest measured at fair value	0
Goodwill arising on acquisition	1,400
Purchase consideration transferred	22,500

The recognised fair value of identified net assets is based on information available at acquisition date. In the event of new information, recognition is subject to change within a one-year measurement period.

The Group share of revenue from acquisition date totalled TSEK 2,414 and a profit of TSEK 450. If NanoSpace had been owned throughout the year, revenue would have amounted to TSEK 9,589 and a loss of TSEK 1,712.

FINANCIAL CALENDER

Annual Report	Week 12, 2017
Annual general meeting	27 April 2017
Interim Reports	
January-March 2017	31 May 2017
January-June 2017	31 August 2017
January-September 2017	30 November 2017
January-December 2017	28 February 2018

COMPANY INFORMATION

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Denmark

GomSpace Orbital ApS, 100%
Denmark

NanoSpace AB, 100%
Sweden

AUDITORS
Öhrlings PricewaterhouseCoopers AB

CERTIFIED ADVISOR
FNCA Sweden AB

MANAGEMENT'S STATEMENT

The CEO certifies that this Interim Report presents a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2016, and of the results of the Group's and the Parent Company's operations and cash flow for the period 1 January - 31 December 2016.

Stockholm, 28 February 2017

Executive Board



Niels Buus
CEO

This quarterly report has not been reviewed by the company's auditors

