

Interim report January – March 2019

MSAB continues expansion into new countries

First quarter

- Net sales increased 1.5 percent to SEK 66.3 (65.3) million (- 6 percent in local currencies).
- EBIT amounted to SEK - 5.6 (3.7) million.
- The EBIT margin was - 8.6 (5.6) percent.
- Profit after tax amounted to SEK - 4.4 (4.3) million.
- Earnings per share were SEK - 0.23 (0.24).
- Cash flow from operating activities amounted to SEK - 6.9 (0.3) million.
- Cash and cash equivalents at the end of the period amounted to SEK 93.1 (128.9) million.

MSAB in brief

MSAB is a world leader in mobile forensics technology with the aim of extracting and analysing data from confiscated mobile devices, mainly from mobile phones. The Company has its own sales offices and sales representatives in Europe, North America, South America, China, Australia, Singapore, Japan and Russia, and together with a number of distributors, covers most of the world. The proprietary products have become a de facto standard in the field and are used for securing evidence in more than 100 countries. These products are complemented by a wide range of training courses with the possibility of becoming certified in a forensically sound methodology. Customers are primarily law enforcement agencies, such as police, military and customs. MSAB is listed on NASDAQ Stockholm under the ticker symbol: MSAB B.

Comments from the CEO

MSAB has been strengthening and developing its organisation, primarily in development and sales. We do this to help our customer's world-wide meet the challenge of taking advantage of digital evidence in the best possible way. It is also important to stress that our investments are planned and long-term. To some extent the investments are something we continuously need to do in order to maintain our leading position in a technically advanced and ever changing market. The investments are also done with the aim to create an organisation with the best possible prerequisites to maximise the enormous potential for the growth we see in our market.

Turnover in the first quarter of 2019 amounted to SEK 66.2 (65.3) million. EBIT was - 5.6 (3.7) million. The first quarter of the year tends to be weaker than other quarters as few of our clients close their books in this period, which often results in a lower level of purchases. We have a higher gross margin for sales this year compared to 2018, as turnover then to a larger extent consisted of hardware. The negative result is due to an increased cost base, primarily related to the investments we made in the organisation over the past twelve months.

MSAB's operations contribute to creating a safer society. Our solutions are crucial for law enforcement authorities' capacity to access the increasingly important evidence found in mobile phones. Accessing digital evidence is of critical interest in all types of crimes. MSAB possesses unique knowledge about mobile phones and apps which we are confident will be crucial for successful law enforcement.

Local presence is important, and as our customers increasingly invest in decentralised mobile forensic solutions, every business deal is in some way unique. The core and great value in what we sell is still our software for extracting and analysing digital evidence. But we're unique in helping customers with a flexible installation customisation, so that customers receive the optimum workflow for their organisation. This customisation is a small but important part of the business for the customer and can occasionally give longer lead-times to finalise a deal.

In the fourth quarter of 2018, we finalised our establishment of a subsidiary in Japan and in the first quarter of 2019, we opened one in India. India is a country of contrasts, which is no less true of their law enforcement. India has a legal system largely based on the same principles as the United Kingdom. The main responsibility for Indian law enforcement lies with each of the 29 states into which India is divided. There are almost 200 million inhabitants in the largest state, and there are 21 states with more inhabitants than the whole of Sweden. In a growing country with over 800 million mobile phones, I am convinced that India will become a significant market for MSAB in the near future.

By the end of 2018, Access services was launched, a service where we help our customers gain access to the most advanced phones. We have seen a large demand for this service and we have successfully added new phone models into its framework.

Standards and a harmonised approach to working with digital evidence is increasingly important for law enforcement agencies. In view of this, the EU has initiated a project whose aim is to harmonise and set a standard for how production of digital evidence should take place, as well as how various tools should function and interact. The EU has put together a group with representation from academic institutions, law enforcement agencies and industry to accomplish this. MSAB is representing industry, largely thanks to the fact that our solutions carry the highest standard in the industry as regards legally secure management of digital evidence. This is, of course, an affirmation of MSAB's unique expertise. In addition, the project also provides an opportunity to educate and influence senior decision makers of the importance for law enforcement authorities to have more and better tools to manage digital evidence, which is crucial to successful law enforcement in today's society.

I am proud of the contribution MSAB and our products provide law enforcement agencies around the world. This, combined with the fact that we exited 2019 with an organisation that is clearly stronger, allows me look to the future with confidence.

Stockholm, April 2019

Joel Bollö
Chief Executive Officer

Comments on operations

The market

EMEA & Latin America – the region experienced marginal growth for whole-year 2018 compared with the previous year. The early part of a year is often characterised by more uneven purchase patterns as a result of purchasers following their financial year, which we saw in the slightly weaker start to the year in Germany and France. This is balanced out by the good order intake from Eastern Europe amongst other things.

North America – sales for the region declined slightly compared to the previous year. The comparison should be seen in the context of the preceding year, where the Company received a single large order for Field version from the U.S military whose purchasing is irregular.

Asia and the CIS (Commonwealth of Independent States) – within the region, Southeast Asia demonstrated healthy growth but the total was affected primarily by authorities in Australia postponing planned purchases until the second quarter.

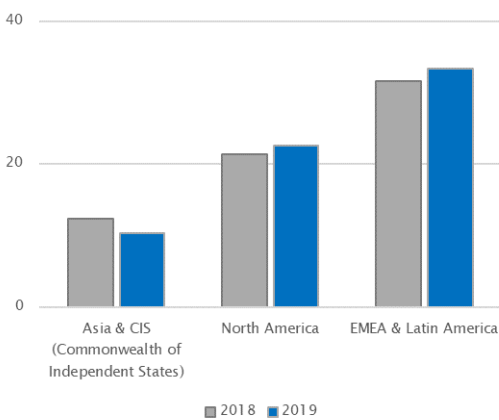
Products

In early April, MSAB released new versions of our product families – XRY, XAMN and XEC – with many significant new and enhanced possibilities to help investigators, analysts and other users work faster, smarter and more efficiently. Among the highlights are quicker Android extractions, enhanced improvement of Android and iOS app support in XRY. In XAMN a time-saving intelligent free text search feature, many improvements to the user experience, and new export functionality. The new version of XEC gives managers the ability to compile more detailed information on user levels. XRY 7.12 adds support for 342 mobile devices and apps, bringing the total number of supported devices and app profiles to 27,118.

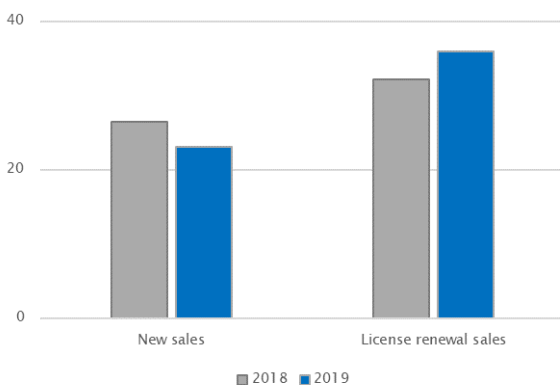
Training

Revenues from training activities correlate with how the Company's other sales develop. For the year, sales of training products comprised 10 (10) percent of total sales. The Company continues to develop and market training online and on demand, which means that some turnover from training will be scalable in the future.

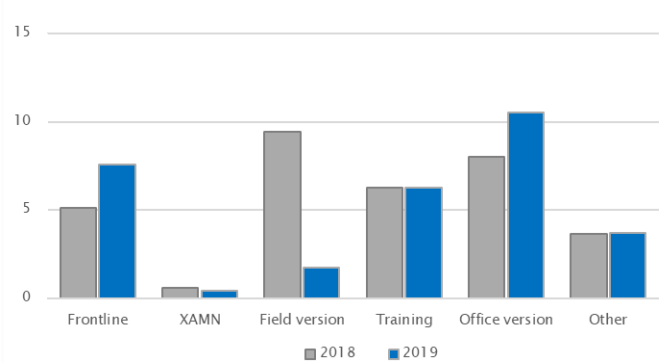
Sales distribution by regions MSEK, Jan-Mar



Product sales distribution MSEK, Jan-Mar



New sales distribution MSEK, Jan-Mar



Comments on financial performance

Net sales

Consolidated net sales for the quarter increased 1.5 percent to SEK 66.3 (65.3) million. In local currencies, net sales decreased 6 percent.

Expenses

Expenses for goods for resale for the quarter amounted to SEK 5.9 (10.5) million. Direct expenses are dependent on the product mix sold, where this year's product mix consisted of more hardware than last year. Other external expenses and depreciation amounted to SEK 21.0 (15.3) million. Depreciation as a single item is SEK 2.6 million higher this year as a result of implementation of IFRS 16 (see also Accounting Principles). Personnel expenses amounted to SEK 45.0 (35.8) million for the quarter. Increased expenses are mainly attributable to investments in personnel related to product and market to promote further growth and maintain our leading position in a technically advanced and ever changing market.

Profit/loss

EBIT for the quarter amounted to SEK -5.6 (3.7) million, corresponding to an EBIT margin of -8.6 (5.6) percent. Net financial income/expense amounted to SEK 1.5 (2.0) million for the quarter. Net financial income/expense consisted primarily of revaluation of cash and cash equivalents in foreign currencies. Profit after tax was SEK - 4.4 (4.3) million for the quarter.

Cash flow and financial position

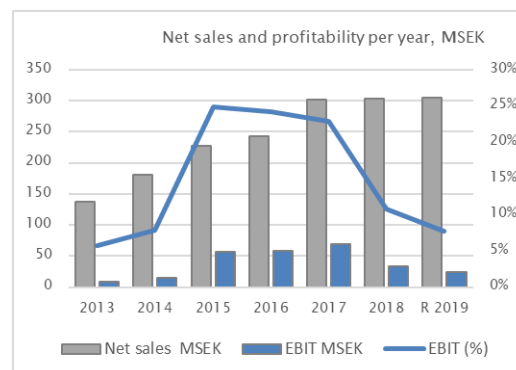
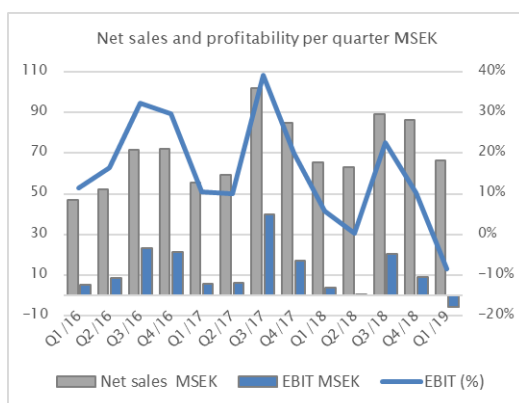
The equity/assets ratio at the end of the period was 49.2 (53.2) percent. Cash flow from operating activities amounted to SEK - 6.9 (0.3) million for the quarter. Cash at the end of the period amounted to 93.1 (128.9) million.

Variation in sales and profit

Both consolidated sales and profit tend to fluctuate from quarter to quarter, mainly due to our customers' purchasing patterns and single, larger orders. This is shown in the diagram below, which clearly illustrates a large variation between individual quarters in terms of sales. Given the Company's relatively fixed cost base, this leads to a corresponding variation in profit. Also viewed over a period of several years, growth has occurred in waves. For example, growth was strong in 2015 but more modest in 2016, and then substantially stronger again in 2017.

Personnel

The number of employees in the Group at the end of the period was 182 (150). The average number of employees was 181 (147).



Other

Seasonal effects

MSAB is not dependent on the seasons in the sense that is normally meant by the term seasonal effects. However, the majority of the Company's customers have a purchasing pattern that follows their budget period. Budget periods differ between countries, but most common in MSAB's largest markets is that they follow the calendar year or end on 30 September. Historically, this has been reflected in sales in such a way that the second half of the year is stronger than the first half.

Risks and uncertainty factors

Through its operations, the Group is exposed to risks and uncertainty factors. Information on risks and uncertainties other than currency exposure due to foreign subsidiaries and the fact that most invoicing in Sweden is denominated in foreign currencies can be found in more detail in the 2018 Annual Report. The Annual Report is available on the Company's website.

Accounting principles

This year-end report has been prepared for the Group in accordance with the Swedish Annual Accounts Act and IAS 34 Interim Financial Reporting, and for the Parent Company in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. Information as per IAS 34 is provided in notes as well as in other places throughout this interim report. The accounting principles adopted for the Group and the Parent Company are consistent, unless stated below, with the accounting principles used to prepare the most recent annual report. IFRS 16 Leases shall apply from 1 January, 2019. The Company has inventoried all contracts falling within the scope of the new standard, including operational leases already in effect. The analysis showed that in all material respects it is the Group's leases for office premises that are affected by the new standard. The Company has selected the transitional method called the modified retrospective approach. This means that the Company reports an asset relating to future rights of use amounting to SEK 37.4 million as of 31 March, 2019. The value is determined by discounting the future contractual payments with interest from the Company's marginal loans.

The corresponding liability for future payments for rights of use amounts to SEK 35.5 million. The transition to IFRS 16 has no material impact on the Company's EBIT or net profit/loss. However, the new standard means that previously reported rental expense be recognised as depreciation and partly as interest expense, compared with previous years when rental expense as a whole was reported under other external expenses. The Company reports the key figure equity/assets ratio, which is affected by the new standard.

The Parent Company

The Parent Company's net sales for the period amounted to SEK 43.3 (48.0) million. EBIT for the period amounted to SEK - 6.7 (3.0) million. Investments during the period amounted to SEK 0.5 (0.1) million, and were essentially IT-related. The number of employees in the Parent Company was 131 (110) at the end of the period.

Related party transactions

No related party transactions occurred during the period other than transactions covered within the framework of the approved incentive programmes.

Financial calendar

19 July	Interim report January-June
23 October	Interim report January-September
29 January, 2020	Year-end report 2019

The information in this report is such that MSAB, Corporate ID number 556244-3050, is required to disclose in accordance with the EU's Market Abuse Regulation. The information in this report was submitted for publication on 24 April, 2019 at 08:00 CEST through the offices of the contact person listed below.

This report and earlier financial reports and press releases are available on the Company's website: www.msab.com.

Questions should be addressed to:
Chief Executive Officer Joel Bollö
Tel. +46 8 739 0270
Email: joel.bollo@msab.com

Statement from the Board and CEO

The under-signed certify that this interim report provides, in accordance with current regulations, a fair and true overview of the Parent Company's and Group's operations, financial position and earnings, as well as describing the significant risks and uncertainty factors to which the Parent Company and the subsidiaries that comprise the Group are exposed.

Stockholm, 24 April, 2019

Micro Systemation AB (publ)

Corporate ID number 556244-3050

Henrik Tjernberg	Joel Bollö	Robert Ahldin
Chairman of the Board	Chief Executive Officer	Board member

Jan-Olof Backman	Carl Bildt	Katarina G. Bonde
Board member	Board member	Board member

This report has not been reviewed by the Company's auditors.

Consolidated income statement in summary

MSEK	Jan – Mar		12 months	
	2019	2018	Apr–Mar	2018
Net sales	66.3	65.3	304.9	303.9
Cost of goods sold	-5.9	-10.5	-33.1	-37.7
Other external costs	-18.1	-15.1	-74.7	-71.7
Personnel costs	-45.0	-35.8	-170.1	-160.9
Depreciation of fixed assets	-2.9	-0.2	-3.6	-0.9
Total operating cost	-71.9	-61.6	-281.5	-271.2
Operating profit – EBIT	-5.6	3.7	23.4	32.7
Financial income	2.1	3.7	7.4	9.0
Financial expenses	-0.6	-1.7	-5.4	-6.5
Profit/loss before tax	-4.1	5.7	25.4	35.2
Tax	-0.3	-1.4	-6.3	-7.4
Net profit/loss after tax	-4.4	4.3	19.1	27.8

Statement of comprehensive income

MSEK	Jan – Mar		12 months	
	2018	2017	apr – mar	2018
Net profit/loss after tax	-4.4	4.3	19.1	27.8
Currency translation differences	1.1	1.3	1.7	1.9
Tax on currency translation differences	0.1	-0.1	0.5	0.3
Total comprehensive income	-3.2	5.5	21.3	30.0
Comprehensive income for the period attributable to the shareholders of the parent company	-3.2	5.5	21.3	30.0

Key figures

	Jan – Mar		12 months	
	2019	2018	Apr–Mar	2018
Revenue growth, %	1.5	17.9	-2.2	0.70
EBIT–margin, %	-8.6	5.6	7.7	10.8
Cash flow from operating activities per share, SEK	-0.38	0.01	-0.11	0.28
Return on equity, %	-3.7	3.8	16.9	24.7
Return on capital employed, %	-3.2	6.5	27.0	37.0
Equity per share, SEK	5.78	6.53	5.78	5.96
Earnings per share, basic, SEK	-0.23	0.24	1.04	1.51
Earnings per share, diluted, SEK	-0.23	0.24	1.04	1.50
Average number of shares, basic, million	18.5	18.4	18.5	18.5
Average number of shares, diluted, million	18.5	18.4	18.5	18.5

Consolidated balance sheet in summary

MSEK	31-mar		31-dec
	2019	2018	2018
ASSETS			
Intangible assets	0.1	0.3	0.2
Tangible assets	2.7	1.5	2.3
Assets with right to use	37.4	-	-
Deferred tax asset	0.0	0.1	0.1
Other long term asset	-	4.3	-
Total non-current assets	40.2	6.2	2.6
Inventories	6.1	5.8	5.7
Accounts receivable – trade	53.5	43.7	67.6
Current tax asset	10.5	0.8	5.7
Other current assets	13.9	15.6	12.1
Cash and cash equivalents	93.1	128.9	98.8
Total current assets	177.1	194.8	189.9
TOTAL ASSETS	217.3	201.0	192.5
EQUITY AND LIABILITIES			
Equity	106.9	120.1	110.1
Accounts payable – trade	3.9	10.9	3.7
Current tax liability	0.9	2.1	0.5
Leasing liabilities related to assets with right to use	32.8	-	-
Other current liabilities	72.8	67.9	78.2
Total current liabilities	110.4	80.9	82.4
TOTAL EQUITY AND LIABILITIES	217.3	201.0	192.5

Change in equity

MSEK	31-mar		
	2019	2018	2018
Opening balance	110.1	114.6	114.6
Profit/loss for the period	-3.2	5.5	30.0
Conversion of share option rights	-	-	5.9
Dividend	-	-	-40.4
Equity at the end of the period	106.9	120.1	110.1

Cash flow statement in summary

MSEK	Jan-Mar		12 months	
	2019	2018	Apr-Mar	2018
Cash flow before working capital changes	-1.1	3.9	23.6	28.6
Working capital changes	-5.8	-3.6	-25.6	-23.4
Cash flow from operating activities	-6.9	0.3	-2.0	5.2
Investments in fixed assets	-0.5	-0.1	-1.9	-1.5
Cash flow from investing activities	-0.5	-0.1	-1.9	-1.5
Dividend paid to shareholders	-	-	-40.4	-40.4
Premium received/conversion of share option rights	-	-	5.9	5.9
Cash flow from financing activities	-	-	-34.5	-34.5
Cash flow for the period	-7.4	0.2	-38.4	-30.8
Cash at the beginning of the period	98.8	127.4	128.9	127.4
Exchange rate difference in cash	1.7	1.3	2.6	2.2
Cash at the end of the period	93.1	128.9	93.1	98.8

Allocation of revenue

MSEK Jan-Mar 2019	Asia & CIS	EMEA & Latin America	North America	Total
Product sales	9.5	29.5	20.2	59.1
Training & other services	0.9	3.8	2.4	7.1
Total	10.3	33.3	22.6	66.3
time	8.4	28.9	17.4	54.7
Recognized over time	1.9	4.4	5.2	11.6
Total	10.3	33.3	22.6	66.3

MSEK Jan-Mar 2018	Asia & CIS	EMEA & Latin America	North America	Total
Product sales	11.3	27.3	20.1	58.7
Training & other services	1.3	4.1	1.2	6.6
Total	12.6	31.4	21.3	65.3
time	10.7	27.2	17.0	54.9
Recognized over time	1.9	4.2	4.3	10.4
Total	12.6	31.4	21.3	65.3

Quarterly data

	2019		2018		2017				2016				
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales, MSEK	66.3	86.2	89.4	63.0	65.3	84.8	102.0	59.5	55.4	71.9	71.6	52.0	46.8
EBIT, MSEK	-5.7	8.7	20.1	0.1	3.7	16.9	40.0	6.1	5.8	21.3	23.3	8.5	5.3
EBIT-margin, %	-8.6	10.1	22.5	0.2	5.63	19.9	39.2	10.2	10.6	29.6	32.5	16.3	11.3
Earnings per share, SEK	-0.23	0.40	0.79	0.07	0.24	0.76	1.65	0.24	0.22	0.93	0.99	0.35	0.18
Return on equity, %	-3.7	6.6	14.4	1.8	3.8	12.8	32.5	6.4	3.9	17.5	22.5	9.9	3.7
Return on capital employed, %	-3.2	9.5	20.7	3.3	6.5	18.2	43.7	8.9	5.3	22.9	30.0	14.6	7.0
Equity ratio, %	49.2	57.2	55.2	53.4	59.8	57.2	52.2	52.0	60.6	58.2	55.7	53.3	62.6
Cash flow from operations /per share, SEK	-0.38	1.57	-0.69	-0.62	0.01	2.75	-0.06	-0.24	0.15	0.88	1.49	0.18	0.28
Equity per share, SEK	5.78	5.96	5.58	4.59	6.53	6.23	5.46	3.87	5.90	5.68	4.73	3.69	5.54

Definitions

The Company presents certain financial metrics in the interim report that are not defined under IFRS. The Company believes that these metrics provide useful supplemental information to investors and the Company's management as they allow for the evaluation of the Company's performance. The key ratios are further described in the 2017 annual report.

EBIT

Earnings before interest and taxes.

EBIT margin

EBIT in relation to net sales.

Earnings per share *

Profit/loss after tax in relation to average number of outstanding shares after dilution.

Return on equity

Profit/loss after tax in relation to average adjusted equity.

Return on capital employed

EBIT plus financial items in relation to average capital employed.

Equity ratio

Equity in relation to total assets.

Cash flow from operations/per share

Cash flow from operations in relation to average number of outstanding shares after dilution.

Equity per share

Equity in relation to outstanding shares at the end of the period.

Average adjusted equity

Average of equity during 12 months-period. Opening plus closing shareholders' equity divided by two.

Capital employed / average capital employed

Capital employed is calculated as total assets less non-interest-bearing liabilities.

Average capital employed is calculated as capital employed over a 12 months period. Capital employed at beginning of period plus capital employed at end of period divided by two.

Revenue growth, %

Sales current period in relation to same period prior year

Net financial items

Net of financial income and expenses

* Defined in line with IFRS

Reconciliations of measurements that are not defined under IFRS.

Capital employed

	2019		2018		2017				2016				2015				
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total assets, MSEK	217.4	192.5	186.9	158.3	200.9	200.2	192.5	136.5	179.0	179.3	156.0	127.1	161.6	161.0	145.7	124.4	137.0
Accounts payables, MSEK	-3.9	-3.7	-4.5	-4.7	-10.9	-5.0	-11.3	-4.1	-4.5	-4.6	-3.1	-2.2	-3.4	-5.0	-6.7	-5.2	-3.1
Tax liabilities, MSEK	-0.9	-0.5	-6.9	-2.5	-2.1	-3.6	-11.4	-3.1	-4.7	-6.2	-9.4	-4.2	-3.8	-2.5	-8.3	-5.9	-4.7
Leasing liabilities related to assets with right	-32.8																
Other liabilities, MSEK	-72.8	-78.2	-72.4	-35.2	-67.9	-77.0	-69.4	-58.3	-61.4	-64.1	-56.7	-52.9	-53.3	-62.6	-55.2	-49.6	-52.9
Capital employed, MSEK	107.0	110.1	103.1	115.9	120.0	114.6	100.4	71.0	108.4	104.4	86.8	67.8	101.1	90.9	75.5	63.7	76.2
Average capital employed, MSEK	113.5	112.4	101.8	93.5	114.2	109.5	93.6	69.4	104.8	97.7	81.1	65.8	88.7	77.1	61.7	50.1	58.5

Parent company income statement in summary

MSEK	Jan-Mar	
	2019	2018
Net sales	43.3	48.0
Cost of goods sold	-5.9	-10.5
Other external costs	-11.4	-10.8
Personnell costs	-30.1	-23.5
Depreciation of fixed assets	-2.6	-0.2
Total operating cost	-50.0	-45.0
Operating profit – EBIT	-6.7	3.0
Net financial items	1.6	1.8
Profit/loss before tax	-5.1	4.8
Tax	-	-1.1
Net profit/loss after tax	-5.1	3.7

Statement of comprehensive income

MSEK	Jan-Mar	
	2019	2018
Net profit/loss after tax	-5.1	3.7
Total comprehensive income	-5.1	3.7

Parent company balance sheet in summary

MSEK	31-mar	
	2018	2018
ASSETS		
Intangible assets	0.1	0.3
Tangible assets	2.7	1.5
Assets with right to use	34.7	-
Shares in group companies	0.4	0
Other long term asset	-	4.3
Total fixed assets	37.9	6.1
Inventories	6.1	5.8
Accounts receivable – trade	43.1	38.4
Other current assets	22.0	15.8
Cash and cash equivalents	41.4	81.4
Total current assets	112.6	141.4
TOTAL ASSETS	150.5	147.5
EQUITY AND LIABILITIES		
Share capital	3.8	3.8
Share premium	20.3	20.3
<i>Restricted equity</i>	24.1	24.1
Statutory reserve	7.8	7.8
Profit brought forward	45.5	68.3
<i>Non-restricted equity</i>	53.3	76.1
Total equity	77.4	100.2
Accounts payable – trade	3.5	10.5
Current tax liability	-	1.1
Leasing liabilities related to assets with right to use	32.8	
Other current liabilities	36.8	35.7
Total current liabilities	73.1	47.3
TOTAL EQUITY AND LIABILITIES	150.5	147.5

<https://www.msab.com/products/>

The Ecosystem of Mobile Forensics

XRY

Extract

Extract and recover forensic data.

XAMN

Analyze

Visualize and analyze data for examination.

XEC

Manage

Efficient tools for management, administration and process related use.

[START YOUR FREE TRIAL](#)

Combined together, all of our products, platforms and services form a complete ecosystem of mobile forensics that protects our customers throughout the evidence chain. No matter what type of user, location, mobile device or environment; we have a tool designed to suit that particular need. These solutions work together in harmony to ensure best practice workflows for all stakeholders; from the field to the lab, through to the court room and beyond.



Extract

Extract digital forensic data from mobile devices



Analyze

Review, Visualize and Analyze mobile data



Manage

Management tools for efficient processes