

## Interim report January - June 2017

# Continued growth

## Second quarter

- Net sales increased 14 percent to SEK 59.5 (52.0) million (11 percent in local currencies)
- EBIT decreased to SEK 6.0 (8.5) million
- The EBIT margin reached 10.2 (16.3) percent (9.7 percent in local currencies)
- Profit after tax was SEK 4.5 (6.5) million
- Earnings per share were SEK 0.24 (0.35)
- Cash flow from operating activities amounted to SEK -4.4 (3.3) million

## January - June

- Net sales increased 16 percent to SEK 114.9 (98.8) million (15 percent in local currencies)
- EBIT decreased to SEK 12.0 (13.8) million
- The EBIT margin reached 10.4 (14.0) percent (10.7 percent in local currencies)
- Profit after tax was SEK 8.7 (9.8) million
- Earnings per share were SEK 0.46 (0.54)
- Cash flow from operating activities amounted to SEK -1.7 (8.5) million
- Cash and cash equivalents and short-term investments at the end of the period amounted to SEK 77.8 (78.6) million

# +14%

Sales growth, Q2

# 10%

EBIT margin, Q2

### 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 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

Sales for the first six months of 2017 reached SEK 114.9 (98.8) million. EBIT was SEK 12.0 (13.8) million, corresponding to an operating margin of 10.4 (14.0) percent. The EBIT margin decreased somewhat due to our increased efforts within product development and marketing to ensure continued growth. During the second quarter, sales reached SEK 59.5 (52.0) million. Sales for both the first half-year and the second quarter were record high for the company.

New sales and license renewals both increased. Our products are selling well and XRY Office is still the product in greatest demand. At the beginning of the year, we launched XAMN Spotlight 2.0, which is our most advanced analysis product thus far. The response from our customers has been positive. We have already started selling separate licenses for the product and see great potential moving forward. We have an aggressive plan for the future for our new products and solutions.

The market for mobile forensics is developing along the lines that we predicted. An increasing number of police authorities are starting to think along these new lines and are realising the value of digital evidence. Few things have ever presented as great a challenge for police work as digitalisation has. The number of enquiries we receive and projects where decentralisation of mobile forensic solutions are being requested are rising rapidly. With decentralised solutions, there is also demand for more integration with existing IT infrastructure and systems.

In June, we signed an agreement with NUIX, an Australian company with a large presence in Europe and the USA. NUIX delivers solutions, including to police authorities, that handle data from a variety of sources such as operators, computers, memory cards, etc.

NUIX' solutions are a good complement to our offering since compatibility and collaboration are what our customers are asking for. We are convinced that this collaboration will lead to more business and higher customer satisfaction.

Southeast Asia and Australia demonstrated strong growth, with sales almost doubling during the first half-year. Over the last few years, we have successively increased our presence in the region. We started with our own representation in Australia, followed by China and most recently Singapore.

We established representation in Singapore last year and could see immediately the positive effects of this investment. We will continue to increase our presence in the region.

North America continues to grow, demonstrating good growth during the first six months of the year, especially business from state and local police agencies. We have strengthened our resources in the region with several sales agents and through local marketing. The fiscal year for federal authorities closes at the end of September, which means that many investment decisions are taken during our third quarter.

EMEA grew 12 percent and continues to demonstrate strength. Unfortunately, Europe has been hit by several terrorist attacks. How many attacks the police have succeeded in preventing is unknown, but they are under increasing pressure to be more efficient and to prevent these attacks from happening at all.

We are working on many levels within different police authorities to help them become more efficient in the way they conduct crime investigations. By supporting the police in their change process, we are creating many new opportunities for MSAB to continue growing with good margins.

We are now in the second half of 2017 and facing many exciting challenges. MSAB is shifting to an even higher gear in order to capture even more business. Our customers are heroes who work to create a safer society for us all.

Stockholm, July 2017

Joel Bollö  
Chief Executive Officer

# Comments on operations

## The market

EMEA & Latin America – the region grew 12 percent during the first half-year. To a large extent, this growth was generated in the United Kingdom through several larger Kiosk deals at the beginning of the year. Other countries have also developed well, especially France which had a promising first half-year.

North America – a good sale to local state police authorities generated growth in the region. Further growth is expected during the second half of the year, when several federal customers are expected to place larger orders.

Asia and CIS – Focused efforts within the region continue to generate results, with growth reaching more than 70 percent compared with last year, where sales successes have occurred in all parts of the region.

## Products

During the quarter, an updated version of XAMN Spotlight was launched. This is a tool which primarily addresses the needs of investigators to be able to search for and filter information in the extracted data in an efficient manner. Updates to both XRY and Kiosk were also launched during the quarter. There is now support for over 21,000 mobile devices and over 250 of the most commonly-used apps.

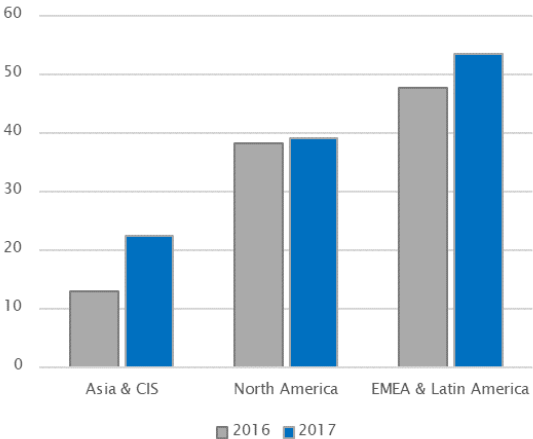
## Training

Sales developed well during the first half-year, with growth of over 40 percent, generated throughout all geographic regions. Sales of training products for the period represented 11 (9) percent of total sales.

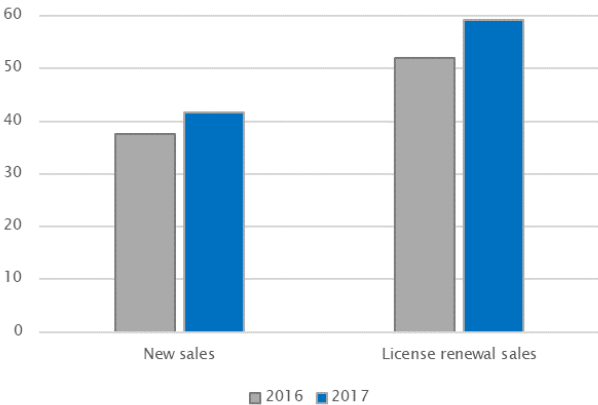
## Important events during the quarter

- In June, an announcement was made that a collaboration had begun with the global IT company Nuix, which has a digital platform for use by criminal investigators. Together, MSAB and Nuix will be able to offer criminal investigators effective tools for handling of digital evidence.

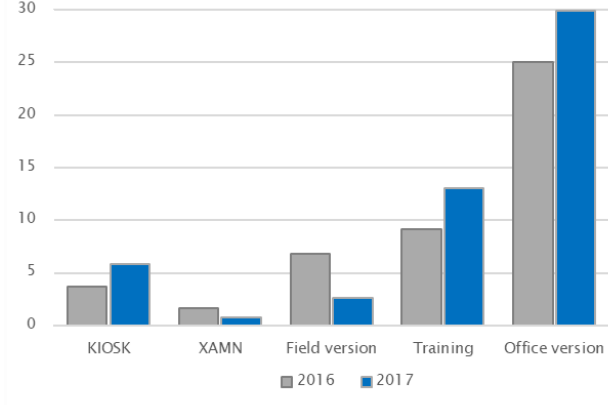
Sales distribution by regions MSEK, Jan-June



Product sales distribution MSEK, Jan-June



New sales distribution MSEK, Jan-June



# Comments on financial performance

## Net sales

Consolidated sales increased during the second quarter by 14.4 percent to SEK 59.5 (52.0) million and increased for the period by 16.2 percent to SEK 114.9 (98.8) million. In local currencies, net sales increased 11 percent for the quarter and 15 percent for the period.

## Expenses

Expenses for goods for resale for the quarter reached SEK 2.7 (1.8) million and for the period amounted to SEK 5.8 (5.7) million. Other external expenses for the quarter amounted to SEK 18.6 (14.5) million and SEK 34.2 (25.7) million for the period. Personnel expenses for the quarter were SEK 32.0 (26.8) million and for the period SEK 62.3 (52.8) million. The increase in expenses relates to products and markets for boosting further growth.

## Profit/loss

EBIT for the quarter amounted to SEK 6.0 (8.5) million, which corresponds to an operating margin of 10.2 (16.3) percent. EBIT for the period amounted to SEK 12.0 (13.8) million, which corresponds to an operating margin of 10.4 (14.0) percent. In local currencies, the operating margin for the quarter reached 9.7 percent and 10.7 percent for the period.

Net financial income/expense amounted to SEK 0.2 (0.5) million for the quarter and SEK -0.1 (0.5) million for the period. Net financial income/expense consists primarily of revaluation of cash and cash equivalents in foreign currencies. Revenues and expenses are matched in the same currencies to the extent possible. Profit after tax was SEK 4.5 (6.5) million for the quarter and SEK 8.7 (9.8) million for the period.

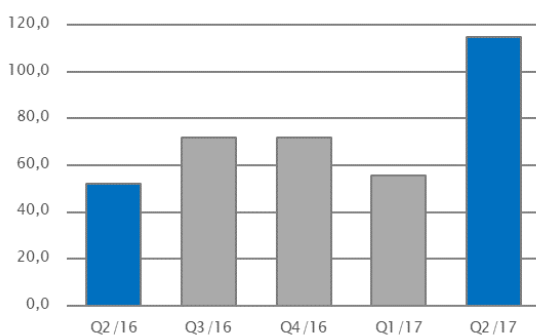
## Cash flow and financial position

The equity ratio at the end of the period was 52.0 (53.3) percent. Cash flow from operating activities for the quarter amounted to SEK -4.4 (3.3) million and for the period to SEK -1.7 (8.5) million. The negative cash flow is due to a large proportion of sales taking place at the end of the quarter and receivables have not yet been settled. During the quarter, dividends in the amount of SEK 40.4 (40.4) million were paid out. Cash and cash equivalents at the end of the period were SEK 77.8 (78.6) million.

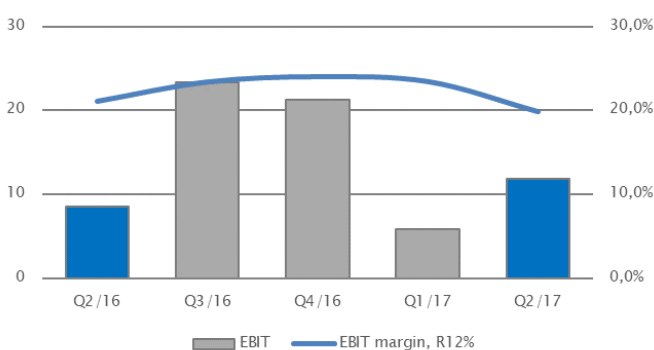
## Personnel

The number of employees in the Group at the end of the period was 134 (116). The average number of employees was 129 (114).

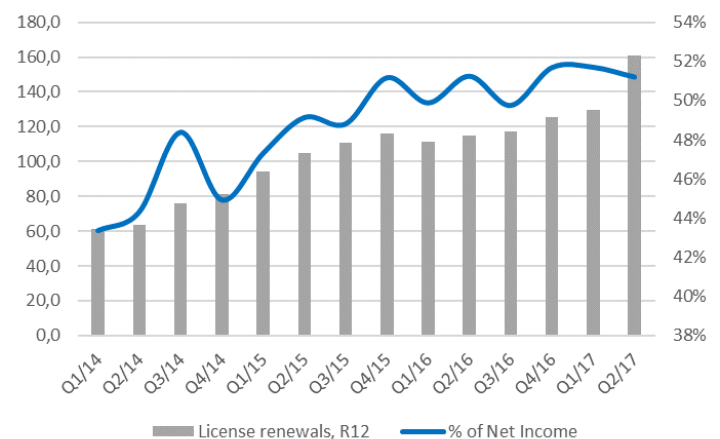
Net sales MSEK



EBIT MSEK



License renewals, rolling 12 months



# Other

## Seasonal effects

MSAB is not dependent on the seasons in the sense that is normally meant by the term seasonal effects. Most of the Company's customers, however, follow the calendar year as their budget period, and historically, this has been reflected in sales in that the fourth quarter is stronger than other quarters during the calendar year.

## Risks and uncertainty factors

The Group's activities expose it 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 2016 Annual Report. The Annual Report is available on the Company's website.

## Accounting principles

This interim 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 Interim Financial Reporting is provided in notes as well as in other places throughout the report.

New and revised IFRS standards, interpretations from the IFRS Interpretations Committee, and amendments to RFR 2 applied as of 1 January, 2017 have no impact on the Parent Company's nor the Group's financial reports.

## Parent Company

The Parent Company's net sales for the period were SEK 78.3 (70.4) million. EBIT for the period was SEK 6.2 (10.6) million. Investments for the period amounted to SEK 0.7 (0.3) million. There were 99 (88) persons employed in the Parent Company at the end of the period.

## Related party transactions

There were no related party transactions during the quarter.

## Financial calendar

20 October	Interim report January-September
2 February, 2018	Year-end report 2017

The information in this report is such that MSAB, Corporate ID number 556244-3050, is required to disclose in accordance with the Swedish Securities Markets Act. The information in this report was submitted for publication on 21 July, 2017 at 08:00 CEST through the offices of the contact person listed below.

This report and previous financial reports and press releases are available on the company's website: [www.msab.com](http://www.msab.com).

Questions should be directed to:

Chief Executive Officer Joel Bollö

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Email: [joel.bollo@msab.com](mailto:joel.bollo@msab.com)

## Statement from the Board and the Chief Executive Officer

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 results, as well as describing the significant risks and uncertainty factor to which the Parent Company and the subsidiaries that comprise the Group are exposed.

Stockholm, 21 July, 2017

## Micro Systemation AB (publ)

Corporate ID number 556244-3050

Henrik Tjernberg	Joel Bollö	Robert Ahldin	Örjan Gatu
Chairman of the Board	Chief Executive Officer	Board member	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	Apr-June		Jan-June		12 months	
	2017	2016	2017	2016	July-June	2016
Net sales	59.5	52.0	114.9	98.8	258.5	242.4
Cost of goods sold	-2.7	-1.8	-5.8	-5.7	-19.2	-19.1
Other external costs	-18.6	-14.5	-34.2	-25.7	-59.9	-51.4
Personnel costs	-32.0	-26.8	-62.3	-52.8	-121.3	-111.8
Depreciation of fixed assets	-0.2	-0.4	-0.6	-0.8	-1.4	-1.6
Total operating cost	-53.5	-43.5	-102.9	-85.0	-201.8	-183.9
Operating profit - EBIT	6.0	8.5	12.0	13.8	56.7	58.5
Financial income	1.2	1.1	2.1	1.9	8.3	8.1
Financial expenses	-1.0	-0.6	-2.2	-1.4	-6.7	-5.9
Profit/loss before tax	6.2	9.0	11.9	14.3	58.3	60.7
Tax	-1.7	-2.5	-3.2	-4.5	-14.0	-15.3
<b>Net profit/loss after tax</b>	<b>4.5</b>	<b>6.5</b>	<b>8.7</b>	<b>9.8</b>	<b>44.3</b>	<b>45.4</b>

## Statement of comprehensive income

MSEK	Apr-June		Jan-June		12 months	
	2017	2016	2017	2016	July-June	2016
Net profit/loss after tax	4.5	6.5	8.7	9.8	44.3	45.4
Currency translation differences	-1.5	0.6	-1.6	-0.4	-0.6	0.6
Tax on currency translation differences	-	-	-	0.1	-0.1	0.1
<b>Total comprehensive income</b>	<b>3.0</b>	<b>7.1</b>	<b>7.1</b>	<b>9.5</b>	<b>43.6</b>	<b>46.1</b>
Comprehensive income for the period attributable to the shareholders of the parent company	3.0	7.1	7.1	9.5	43.6	46.1

## Key figures

	Apr-June		12 months			
	2017	2016	2017	2016	July-June	2016
Revenue growth, %	14.4	0.9	16.2	-3.2	15.5	6.8
EBIT-margin, %	10.2	16.3	10.4	14.0	21.9	24.1
Cash flow from operating activities per share, SEK	-0.24	0.18	-0.09	0.46	2.28	2.84
Return on equity, %	6.4	9.9	12.3	14.9	63.2	46.3
Return on capital employed, %	8.9	14.6	16.9	24.0	84.0	63.9
Equity per share, SEK	3.87	3.69	3.87	3.69	3.87	5.68
Earnings per share, basic, SEK	0.24	0.35	0.46	0.54	2.39	2.47
Earnings per share, diluted, SEK	0.24	0.35	0.46	0.54	2.39	2.46
Average number of shares, basic, million	18.4	18.4	18.4	18.4	18.4	18.4
Average number of shares, diluted, million	18.4	18.4	18.4	18.4	18.4	18.4

## Consolidated balance sheet in summary

MSEK	June-30		Dec-31
	2017	2016	2016
<b>ASSETS</b>			
Intangible assets	0.4	0.5	0.4
Tangible assets	2.1	2.3	1.9
Deferred tax asset	0.2	0.4	0.5
Total non-current assets	2.7	3.2	2.8
Inventories	6.6	6.4	3.7
Accounts receivable – trade	37.5	28.7	41.3
Current tax asset	2.4	1.6	0.3
Other current assets	9.6	8.6	8.0
Cash and cash equivalents	77.8	78.6	123.2
Total current assets	133.9	123.9	176.5
<b>TOTAL ASSETS</b>	<b>136.6</b>	<b>127.1</b>	<b>179.3</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	71.1	67.8	104.4
Accounts payable – trade	4.1	2.2	4.6
Current tax liability	3.1	4.2	6.2
Other current liabilities	58.3	52.9	64.1
Total current liabilities	65.5	59.3	74.9
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>136.6</b>	<b>127.1</b>	<b>179.3</b>

## Change in equity

MSEK	June-30		Dec-31
	2017	2016	2016
Opening balance	104.4	90.9	90.9
Profit/loss for the period	7.1	9.5	46.1
Conversion of share option rights	–	7.8	7.8
Dividend	–40.4	–40.4	–40.4
Equity at the end of the period	71.1	67.8	104.4



## Cash flow statement in summary

MSEK	Apr-June		Jan-June		12 months	
	2017	2016	2017	2016	July-June	2016
Cash flow before working capital changes	0.0	7.6	2.9	11.9	43.5	52.5
Working capital changes	-4.4	-4.3	-4.6	-3.4	-1.5	-0.3
Cash flow from operating activities	-4.4	3.3	-1.7	8.5	42.0	52.2
Investments in fixed assets	-0.4	-0.1	-0.7	-0.3	-1.1	-0.7
Conversion of investment fund to cash	-	-	-	-	-	-
Cash flow from investing activities	-0.4	-0.1	-0.7	-0.3	-1.1	-0.7
Dividend paid to shareholders	-40.4	-40.4	-40.4	-40.4	-40.4	-40.4
Premium received/conversion of share option rights	-	-	-	7.8	-	7.8
Cash flow from financing activities	-40.4	-40.4	-40.4	-32.6	-40.4	-32.6
Cash flow for the period	-45.2	-37.2	-42.8	-24.4	0.5	18.9
Cash at the beginning of the period	124.8	115.1	123.2	103.7	78.6	103.7
Exchange rate difference in cash	-1.8	0.7	-2.6	-0.7	-1.3	0.6
Cash at the end of the period	77.8	78.6	77.8	78.6	77.8	123.2

## Quarterly data

	2017		2016				2015				2014			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales, MSEK	59.5	55.4	71.9	71.6	52.0	46.8	65.2	59.6	51.5	50.5	65.5	45.9	37.6	31.9
EBIT, MSEK	6.1	5.8	21.3	23.3	8.5	5.3	18.2	15.3	10.1	12.8	19.5	11.4	-7.0	-9.8
EBIT-margin, %	10.2	10.6	29.6	32.5	16.3	11.3	28.0	25.7	19.5	25.4	29.7	24.7	-18.5	-30.5
Earnings per share, SEK	0.24	0.22	0.93	0.99	0.35	0.18	0.87	0.66	0.34	0.61	0.81	0.56	-0.37	-0.43
Return on equity, %	6.4	3.9	17.5	22.5	9.9	3.7	20.7	19.4	12.2	19.0	26.1	21.2	-15.9	-16.7
Return on capital employed, %	8.9	5.3	22.9	30.0	14.6	7.0	26.6	28.2	21.7	27.3	38.4	24.8	-14.9	-20.7
Equity ratio, %	52.0	60.6	58.2	55.7	53.3	62.6	56.5	51.8	51.2	55.6	50.0	48.2	42	49.6
Cash flow from operations/per share, SEK	-0.24	0.15	0.88	1.49	0.18	0.28	1.12	0.79	0.33	0.92	1.30	0.06	0.49	-1.04
Equity per share, SEK	3.87	5.90	5.68	4.73	3.69	5.54	4.97	4.14	3.49	4.20	3.52	2.67	2.05	2.30

## 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.

### 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

	2017		2016			2015				2014				
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total assets, MSEK	136.5	179.0	179.3	156.0	127.1	161.6	161.0	145.7	124.4	137.0	126.4	99.6	86.8	82.1
Accounts payables, MSEK	4.1	-4.5	-4.6	-3.1	-2.2	-3.4	-5.0	-6.7	-5.2	-3.1	-12.7	-4.3	-3.1	-3.6
Tax liabilities, MSEK	3.1	-4.7	-6.2	-9.4	-4.2	-3.8	-2.5	-8.3	-5.9	-4.7	-2.0	-1.8	-2.8	-2.5
Other liabilities, MSEK	58.3	-61.4	-64.1	-56.7	-52.9	-53.3	-62.6	-55.2	-49.6	-52.9	-48.5	-45.5	-44.5	-35.2
Capital employed, MSEK	202.0	108.4	104.4	86.8	67.8	101.1	90.9	75.5	63.7	76.2	63.2	47.9	36.4	40.7
Average capital employed, MSEK	134.9	104.8	97.7	81.1	65.8	88.7	77.1	61.7	50.1	58.5	55.7	47.2	41.2	45.8

## Parent company income statement in summary

MSEK	Jan-June	
	2017	2016
Net sales	78.3	70.4
Cost of goods sold	-5.8	-5.7
Other external costs	-23.5	-17.2
Personnell costs	-42.2	-36.1
Depreciation of fixed assets	-0.6	-0.8
Total operating cost	-72.1	-59.8
Operating profit – EBIT	6.2	10.6
Net financial items	0.5	2.9
Profit/loss before tax	6.7	13.5
Tax	-1.5	-3.0
<b>Net profit/loss after tax</b>	<b>5.2</b>	<b>10.5</b>

## Statement of comprehensive income

MSEK	Jan-June	
	2017	2016
Net profit/loss after tax	5.2	10.5
Total comprehensive income	5.2	10.5

## Parent company balance sheet in summary

MSEK	June-30	
	2017	2016
<b>ASSETS</b>		
Intangible assets	0.4	0.5
Tangible assets	1.9	2.1
Shares in group companies	0	0
Total fixed assets	2.3	2.6
Inventories	6.6	6.4
Accounts receivable – trade	14.4	10.2
Other current assets	31.6	31.8
Cash and cash equivalents	37.0	35.9
Total current assets	89.6	84.3
<b>TOTAL ASSETS</b>	<b>91.9</b>	<b>86.9</b>
<b>EQUITY AND LIABILITIES</b>		
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	22.6	23.3
<i>Non-restricted equity</i>	30.4	31.1
Total equity	54.5	55.2
Accounts payable – trade	3.8	1.9
Current tax liability	1.5	3.0
Other current liabilities	32.1	26.8
Total current liabilities	37.4	31.7
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>91.9</b>	<b>86.9</b>