

Interim report January–March 2017

2017 opens with growth

First quarter

- Net sales increased 18.2 percent to SEK 55.4 (46.8) million (18.6 percent in local currencies).
- EBIT increased to SEK 5.8 (5.3) million.
- The EBIT margin reached 10.6 (11.3) percent (11.7 percent in local currencies).
- Profit after tax amounted to SEK 4.1 (3.3) million.
- Earnings per share were SEK 0.22 (0.18).
- Cash flow from operating activities amounted to SEK 2.7 (5.2) million.
- Cash and cash equivalents at the end of the period amounted to SEK 124.8 (115.1) million.

+ 18%
Sales growth

11%
EBIT margin

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

During the first quarter, sales increased 18.2 percent to SEK 55.4 (46.8) million, and EBIT rose to SEK 5.8 (5.3) million, a margin of 11 (11) percent. From a sales perspective, this is the strongest first quarter in company history.

Starting the year with record sales is gratifying. Planned investments in both product development and marketing have increased our cost base, but the overall result is in line with our expectations.

The market for mobile forensics is evolving constantly. As phone manufacturers work to deliver more secure phones, the need for law enforcement authorities to secure evidence in mobile devices also increases.

The number of phones that must be scanned is constantly growing, and thus the possibility for police to extract data must also increase. This means that the extraction of data from mobile devices has moved from forensic laboratories to police IT departments. We are now faced with a reality where the individual police officer must be able to access content, partly because it is a time-critical measure but also to cope with the increasing volume of mobiles that must be examined.

At the same time, the amount of information in each scanned unit has increased significantly, as does the volume of irrelevant data. Analysis is therefore becoming increasingly important and increasingly comprehensive. This places great demands on the individual performing the analysis, but also on the infrastructure in terms of storage capacity and data transfer.

Many customers who would like to decentralise this function and increase their capacity are simultaneously negotiating capacity for data traffic and storage and, in some cases, even hardware. This means that many of these deals are accomplished through various systems integrators.

We are currently cooperating with several systems integrators and we expect that this number will continue to increase as we move forward.

The shift toward decentralised solutions is in line with our development strategy and means in the long term that our market is no longer forensics but rather system solutions for forensic authorities.

I am proud and happy that we have now released version 2.0 of our analytical product, XAMN Spotlight. XAMN Spotlight

takes mobile forensics to entirely new levels. With the new version, police can find relevant information in record time, create their own search paths, use the filter and exploit a large amount of new, cutting-edge functionality. With XAMN 2.0, we meet not only today's demands but also see how our customers will be able to continue their efforts to improve efficiency in the future.

On Friday, 7 April, Sweden was subjected to a ruthless and cruel terrorist attack in which innocent people lost their lives. At MSAB, we were as shocked and concerned as everyone else. We gathered in our staff room to follow the news, and we realised in a flash just how important our work is. In an open, democratic society, it's obvious that we can never completely protect ourselves, but with effective mobile forensic products, the police can prevent attacks and prosecute terrorists.

Being the CEO at MSAB is especially gratifying when we know we are working to create a safer society. We will continue to develop and market the best forensic products so that everybody can feel a little bit safer every single day. It's a good feeling to be a part of this market.

Stockholm, April 2017

Joel Bollö
Chief Executive Officer

Comments on operations

The market

EMEA & Latin America – sales increased 28 percent during the first quarter of the year. The UK, which closes its financial year 31 March, was the main growth generator and business included significant sales of Kiosk during the quarter. Other major markets such as France and Germany also developed well.

North America – sales were at the same level as last year, mainly due to anticipated orders from major federal customers being postponed, but expected later this year. The lower than expected number of federal orders was compensated by good sales to local state police authorities.

Asia and CIS – the region experienced an increase in sales of 46 percent at the beginning of the year, a continuation of the positive impact of focused efforts made in the region.

Products

During the quarter, updates for both XRY and Kiosk were launched, with increased speed in data extraction as well as support now being available for the majority of new apps. An updated version of XAMN Spotlight was completed during the quarter and launched in April. This is a utility that primarily addresses investigators’ need to search and filter the information in extracted data efficiently.

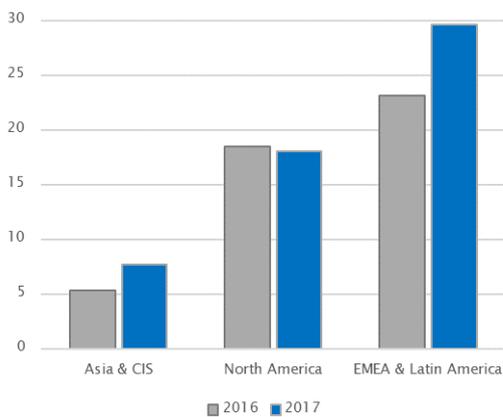
Training

Sales of training products developed well during the quarter in all geographic regions but especially in the USA. Growth for the quarter compared to the previous year was 81 percent. Sales of training products for the quarter represented 13 (8) percent of total sales.

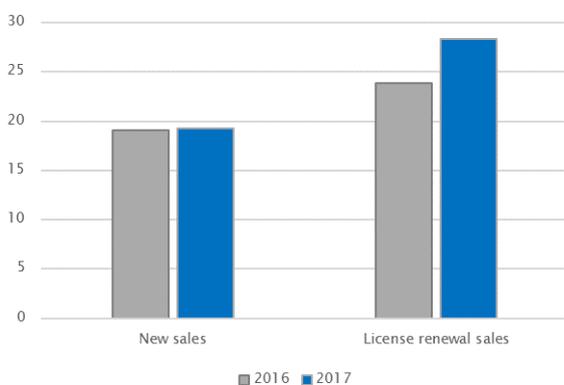
Important events since end of quarter

- In April, XAMN Spotlight 2.0, an analysis tool designed primarily to aid crime investigators, was launched.

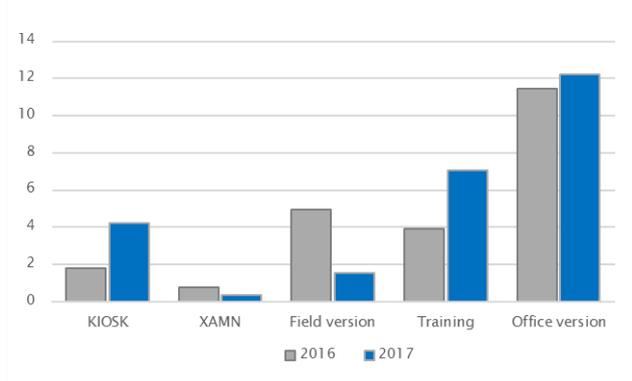
Sales distribution by regions MSEK, Jan-Mar



Product sales distribution MSEK, Jan-Mar



New sales distribution MSEK, Jan-Mar



Comments on financial performance

Net sales

Consolidated net sales grew 18.2 percent during the first quarter to 55.4 (46.8) percent. In local currencies, sales increased by 18.6 percent.

Expenses

Expenses for goods for resale amounted to SEK 3.2 (3.9) million. Other external expenses for the quarter amounted to SEK 15.6 (11.2) million, the increase consisting primarily of investments in additional marketing activities. Personnel expenses for the quarter were SEK 30.4 (26.0) million, the increase being driven by a rise in the number of employees, primarily in development and marketing.

Profit/loss

EBIT for the quarter amounted to SEK 5.8 (5.3) million, corresponding to an operating margin of 10.6 (11.3) percent. In local currencies, the operating margin for the quarter was 11.7 percent.

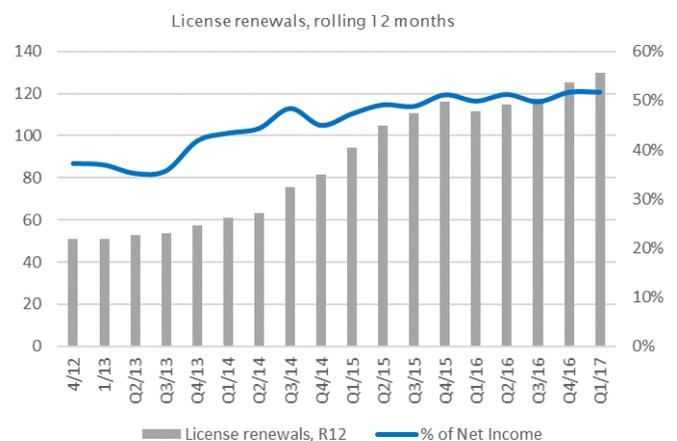
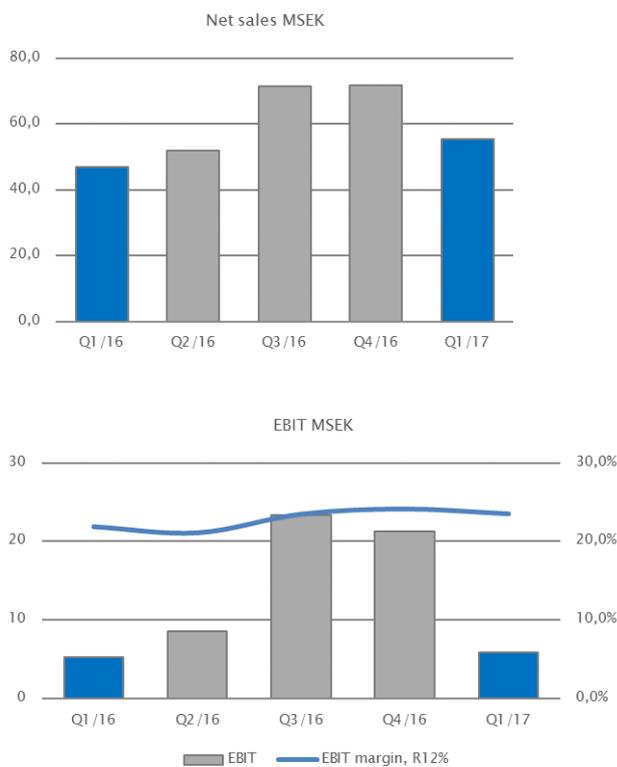
Net financial income/expense amounted to SEK -0.3 (0.0) million for the quarter. Net financial income/expense consisted primarily of revaluation of cash and cash equivalents in foreign currencies. Revenues and expenses are matched in the same currencies to the extent possible. Profit after tax was SEK 4.1 (3.3) million for the quarter.

Cash flow and financial position

Cash flow from operating activities amounted to SEK 2.7 (5.2) million for the quarter. Cash and cash equivalents at year-end were SEK 124.8 (115.1) million. The equity ratio at year-end was 60.6 (62.6) percent.

Personnel

The number of employees in the Group was at the end of the period was 128 (113). The average number of employees was 126 (112).



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.

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.

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.

Annual General Meeting 2017

The Annual General Meeting (AGM) will be held in Stockholm on 10 May, 2017. Notice for the AGM and information about registration can be found at www.msab.com.

Parent company

The parent company's net sales for full-year amounted to SEK 38.9 (31.7) million. EBIT for the year was SEK 4.8 (3.2) million. This year's investments totalled SEK 0.2 (0.2) million. The number of employees in the Parent Company was 95 (83) at the end of the period.

Related party transactions

There were no related party transactions during the quarter.

Financial calendar

July 21	Interim report January–June 2017
20 October	Interim report January–September 2017
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 28 April, 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.

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

Board and CEO's statement

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 factors to which the Parent Company and the subsidiaries that comprise the Group are exposed.

Stockholm, 28 April, 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	Jan – Mar		12 months	
	2017	2016	Apr–Mar	2016
Net sales	55.4	46.8	251.0	242.4
Cost of goods sold	-3.2	-3.9	-18.4	-19.1
Other external costs	-15.6	-11.2	-55.8	-51.4
Personnel costs	-30.4	-26.0	-116.2	-111.8
Depreciation of fixed assets	-0.4	-0.4	-1.6	-1.6
Total operating cost	-49.6	-41.5	-192.0	-183.9
Operating profit – EBIT	5.8	5.3	59.0	58.5
Financial income	0.9	0.9	8.1	8.1
Financial expenses	-1.2	-0.9	-6.2	-5.9
Profit/loss before tax	5.5	5.3	60.9	60.7
Tax	-1.4	-2.0	-14.7	-15.3
Net profit/loss after tax	4.1	3.3	46.2	45.4

Statement of comprehensive income

MSEK	Jan – Mar		12 months	
	2017	2016	Apr–Mar	2016
Net profit/loss after tax	4.1	3.3	46.2	45.4
Currency translation differences	-0.1	-1.0	1.5	0.6
Tax on currency translation differences	0.0	0.1	0.0	0.1
Total comprehensive income	4.0	2.4	47.7	46.1
Comprehensive income for the period attributable to the shareholders of the parent company	4.0	2.4	47.7	46.1

Key figures

	Jan – Mar		12 months	
	2017	2016	Apr–Mar	2016
Revenue growth, %	18.2	-7.3	12.4	6.8
EBIT-margin, %	10.6	11.3	23.5	24.1
Cash flow from operating activities per share, SEK	0.15	0.28	2.70	2.84
Return on equity, %	3.9	3.7	43.9	46.3
Return on capital employed, %	5.3	7.0	58.9	63.9
Equity per share, SEK	5.90	5.54	5.90	5.68
Earnings per share, basic, SEK	0.22	0.18	2.50	2.47
Earnings per share, diluted, SEK	0.22	0.18	2.50	2.46
Average number of shares, basic, million	18.4	17.9	18.4	18.4
Average number of shares, diluted, million	18.4	18.3	18.4	18.4

Consolidated balance sheet in summary

MSEK	31-mar		
	2017	2016	2016
ASSETS			
Intangible assets	0.4	0.6	0.4
Tangible assets	1.9	2.5	1.9
Deferred tax asset	0.4	0.5	0.5
Total non-current assets	2.7	3.6	2.8
Inventories	6.2	4.7	3.7
Accounts receivable – trade	35.9	31.2	41.3
Current tax asset	0.3	1.2	0.3
Other current assets	9.1	5.8	8.0
Cash and cash equivalents	124.8	115.1	123.2
Total current assets	176.3	158.0	176.5
TOTAL ASSETS	179.0	161.6	179.3
EQUITY AND LIABILITIES			
Equity	108.4	101.1	104.4
Accounts payable – trade	4.5	3.4	4.6
Current tax liability	4.7	3.8	6.2
Other current liabilities	61.4	53.3	64.1
Total current liabilities	70.6	60.5	74.9
TOTAL EQUITY AND LIABILITIES	179.0	161.6	179.3

Change in equity

MSEK	31-mar		
	2017	2016	2016
Opening balance	104.4	90.9	90.9
Profit/loss for the period	4.0	2.4	46.1
Conversion of share option rights	–	7.8	7.8
Dividend	–	–	–40.4
Equity at the end of the period	108.4	101.1	104.4

Cash flow statement in summary

MSEK	Jan-Mar		12 months	
	2017	2016	Apr-Mar	2016
Cash flow before working capital changes	2.9	4.3	51.1	52.5
Working capital changes	-0.2	0.9	-1.4	-0.3
Cash flow from operating activities	2.7	5.2	49.7	52.2
Investments in fixed assets	-0.3	-0.2	-0.8	-0.7
Cash flow from investing activities	-0.3	-0.2	-0.8	-0.7
Dividend paid to shareholders	-	-	-40.4	-40.4
Premium received/conversion of share option rights	-	7.8	-	7.8
Cash flow from financing activities	-	7.8	-40.4	-32.6
Cash flow for the period	2.4	12.8	8.5	18.9
Cash at the beginning of the period	123.2	103.7	115.1	103.7
Exchange rate difference in cash	-0.8	-1.4	1.2	0.6
Cash at the end of the period	124.8	115.1	124.8	123.2

Quarterly data

	2017		2016		2015				2014				
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales, MSEK	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	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, %	10.6	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	0.22	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, %	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, %	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, %	60.6	58.2	55.7	53.3	62.6	56.5	51.8	51.2	55.6	50.0	48.2	42.0	49.6
Cash flow from operations/per share, SEK	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	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			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
Total assets, MSEK	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	-4.5	-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	-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	-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	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	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-Mar	
	2017	2016
Net sales	38.9	31.7
Cost of goods sold	-3.2	-3.9
Other external costs	-10.7	-7.6
Personnell costs	-19.8	-16.6
Depreciation of fixed assets	-0.4	-0.4
Total operating cost	-34.1	-28.5
Operating profit – EBIT	4.8	3.2
Net financial items	-0.3	2.4
Profit/loss before tax	4.5	5.6
Tax	-1.0	-1.2
Net profit/loss after tax	3.5	4.4

Statement of comprehensive income

MSEK	Jan-Mar	
	2017	2016
Net profit/loss after tax	3.5	4.4
Total comprehensive income	3.5	4.4

Parent company balance sheet in summary

MSEK	31-mar	
	2017	2016
ASSETS		
Intangible assets	0.4	0.6
Tangible assets	1.6	2.4
Shares in group companies	0	0
Total fixed assets	2.0	3.0
Inventories	6.2	4.7
Accounts receivable – trade	32.6	28.9
Other current assets	9.0	5.5
Cash and cash equivalents	82.9	78.8
Total current assets	130.7	117.9
TOTAL ASSETS	132.7	120.9
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	61.4	57.6
<i>Non-restricted equity</i>	69.2	65.4
Total equity	93.3	89.5
Accounts payable – trade	4.5	4.6
Current tax liability	3.4	3.0
Other current liabilities	31.5	23.8
Total current liabilities	39.4	31.4
TOTAL EQUITY AND LIABILITIES	132.7	120.9