

Interim report January – March 2016

Good earning capacity and launch of Ecosystem

First quarter

- Net sales decreased by 7.3 percent to MSEK 46.8 (50.5)
- EBIT decreased to MSEK 5.3 (12.8)
- The EBIT margin was 11.3 (25.4) percent
- Profit after tax was MSEK 3.3 (11.1)
- Basic earnings per share were SEK 0.18 (0.61)
- Cash flow from operational activities amounted to MSEK 5.2 (16.7)
- The equity ratio was 62.6 (55.6) percent
- Cash and cash equivalents and short-term investments amounted to MSEK 115.1 (83.1)

-7%

Net sales Q1

11%

EBIT margin Q1

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 and Russia, covering most of the world together with a number of distributors. The proprietary products have become a de facto standard in the field and are used for securing evidence in over 100 countries. The products are complemented by a wide range of training courses, with the opportunity to become certified in a forensically sound method. Customers are primarily law enforcement agencies such as police, customs and the military. MSAB is listed on NASDAQ Stockholm under the ticker symbol: MSAB B.

Comments by the CEO

MSAB's sales decreased 7.3 percent during the first quarter compared with the same period in 2015 and amounted to MSEK 46.8 (50.5). EBIT amounted to MSEK 5.3 (12.8), which corresponds to an EBIT margin of 11.3 (25.4) percent. Sales for the first quarter adjusted to reflect local currencies decreased by 6.2 percent.

Sales in Q1 were somewhat lower than last year. Despite the decline for this quarter, it is the second best Q1 ever. The decline is mainly attributable to normal fluctuations between quarters. Because our assessment is that market potential remains good, we are not satisfied with this result. It is our ambition to regain positive growth.

There has been intense debate during the quarter over whether the FBI will be able to compel Apple to unlock heavily encrypted mobile phones. What the authorities have the right to request and what is technically possible are current issues. This subject demonstrates how the importance of evidence recovered from mobile devices has gone from being significant to being the single most important investigative basis in every instance of criminal suspicion. At the same time, serious consideration must be given to privacy as well as internet security and openness.

In order to find a reasonable balance between legitimate regulatory requirements and protection of personal information, MSAB proposes a solution which is a combination of technology and organisational structure. We call our patent pending method FACT – Forensic Access Control Technology. It is based on extensive experience in this field and creates long-term guidelines for authorities, mobile manufacturers and for the mobile forensics industry.

Requirements for investigative authorities are currently undergoing rapid change. As technology evolves, investigative methods and evidence analysis must be adapted. The volume of mobile devices and data is increasing, and our customers' organisations are being challenged in entirely new ways. This trend has been ongoing

for some time, but with the dominance of smart phones it has reached a critical stage. Police practices and attitudes must change and adapt. This has become a strategic issue of critical importance for the efficiency and legal security of criminal investigative authorities. How should police in the field act when seizing a phone, when should data be recovered, by whom, and how can relevant information be found and analysed?

For quite some time, MSAB has been developing a new platform that can revolutionise how police handle evidence from mobile phones. We call it the MSAB Ecosystem and it consists of a series of products and packages which can be combined in several different ways. This flexible system allows police organisations to streamline their processes and meet each user's unique requirements. The platform unites different users' work areas for an optimal end result, and the time required to secure relevant evidence is substantially reduced. In this way, we rise in the value chain and can partake of a greater share of the added value we create for society. Thus we also drive market growth.

MSAB is taking the next step and offering our customers a strategic toolkit and support to meet future requirements.

MSAB is active within an industry characterised by rapid development and change. This environment continuously presents us with new challenges. The launch of our new Ecosystem is a continuation of the way we handle the industry's rapid evolution – by continuously providing our customers with new and more sophisticated tools.

Stockholm, April 2016

Joel Bollö
Chief Executive Officer

Operations during the quarter

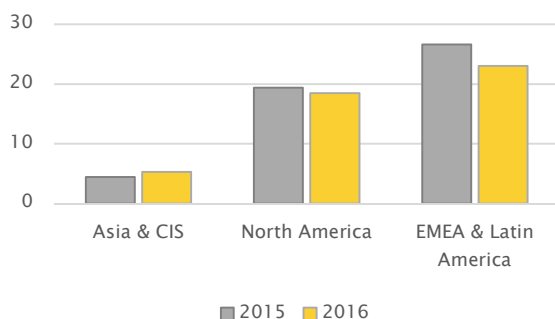
The market

EMEA & Latin America – the underlying market remains stable with fluctuations between quarters. The police in England continue to show a great deal of interest in the company’s products, and Great Britain comprised a significant share of sales for the region, as it did last year. France accounted for the greatest growth during the quarter, with a high degree of license renewal and system sales to police departments. Sales did not reach last year’s record high levels, which was the strongest in the history of the region with several major contracts with police in Great Britain finalised. Sales for the region decreased 13 percent compared with last year.

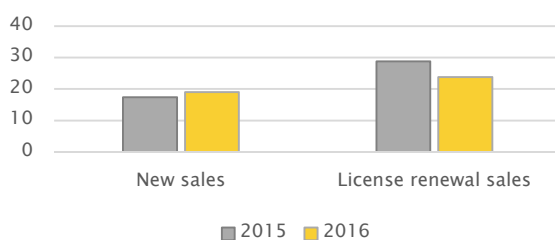
North America – continuing good demand for the company’s products with fluctuations between quarters. Greatest growth was in Canada during the quarter, particularly for license renewal. Sales in the region decreased 5 percent compared with last year.

Asia & CIS – several major projects were concluded during the period with sales to various police departments. Growth for the region was 20 percent compared with last year.

Sales distribution by regions MSEK, Jan-Mar



Product sales distribution MSEK, Jan-Mar



Products

During the quarter, the company launched an entirely new concept within mobile forensics – *The MSAB Ecosystem*. Ecosystem is a platform consisting of both products and services that makes it easier for decision makers to take a holistic approach to the issue of mobile forensics. MSAB’s Ecosystem consists of three different classes of products: XRY – for extraction; XAMN – for analysis; and XEC – for monitoring and managing users. Within respective product families, there are a number of different products which meet unique needs.

Today, the content of seized phones affects the entire police organisation and all of its departments. With The MSAB Ecosystem, MSAB will be able to establish an entirely new standard and the frequency of resolution of reported crime will improve significantly.

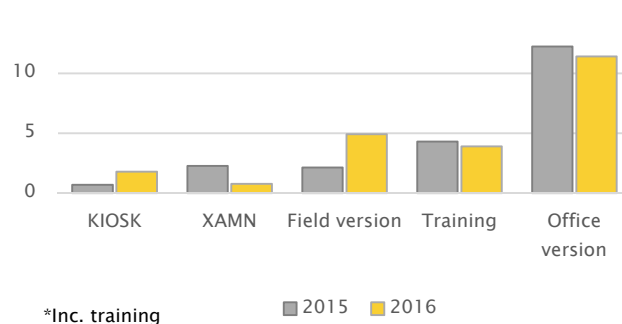
Training

Launching the Ecosystem has meant creating new products and services in the training division and preparing for the new concept. Sales decreased during the quarter by 9 percent compared with last year. The training business makes up 8 (9) percent of sales.

Important events during the quarter

- CFO Joachim Sandberg left the company for an opportunity outside the Group. Recruitment of a successor has been initiated.
- In March 2016, the CEO and CTO exercised their respective warrants and subscribed for 220,000 new B shares each in the company. The number of shares increased by 440,000 in total, share capital increased by SEK 88,000 and the company took in MSEK 7.8.

New sales distribution* MSEK, Jan-Mar



Comments on financial developments

Net sales

Consolidated net sales decreased during the first quarter by 7.3 percent to 46.8 (50.5). Adjusted for exchange rate fluctuations, net sales decreased by 6.2 percent.

Expenses

Expenses for inventories for the quarter amounted to MSEK 3.9 (2.6). Other external expenses for the quarter amounted to MSEK 11.2 (11.6).

Personnel costs amounted to MSEK 26.0 (22.9) due to an increase in the number employees during the quarter compared with last year.

Profit/loss

EBIT for the quarter amounted to MSEK 5.3 (12.8), which corresponds to an EBIT margin of 11.3 (25.4) percent. Adjusted for exchange rate fluctuations, the EBIT margin for the quarter was 12.1 percent.

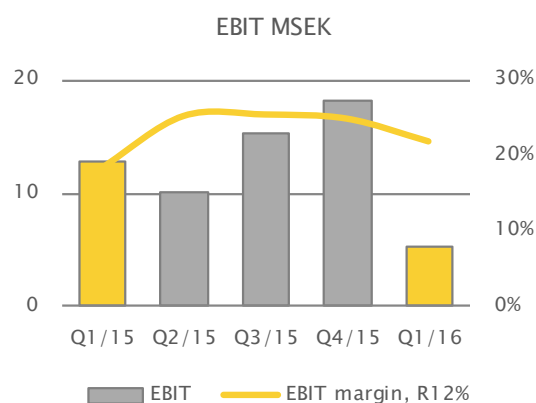
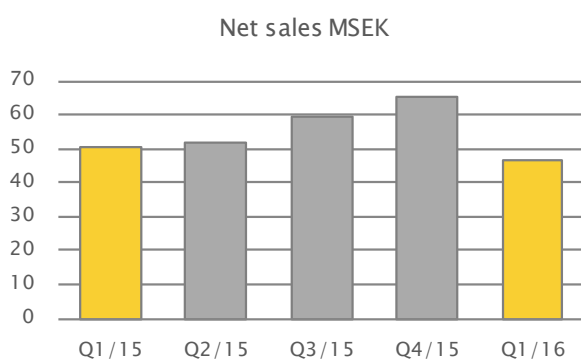
Net financial items for the quarter amounted to MSEK 0 (2.3). Net financial items primarily comprise the revaluation of cash and cash equivalents in foreign currencies. Matching of revenues and expenses in the same currencies is done to the greatest extent possible. Currency hedging occurs to some extent based on future estimated inflows. Profit after tax for the quarter amounted to MSEK 3.3 (11.1).

Cash flow and financial position

The equity ratio at the end of the period was 62.6 (55.6) percent. Cash flow from operating activities for the quarter was MSEK 5.2 (16.7). During the quarter, share subscriptions contributed to an increase in liquidity and cash increased MSEK 7.8. Cash and cash equivalents and short-term placements at the end of the quarter were MSEK 115.1 (83.1).

Personnel

The number of employees in the Group at the end of the period was 113 (105). The average number of employees was 112 (104).



Other

Seasonal effects

MSAB is not dependent on certain seasons in the sense usually intended by the term seasonal effects. Most of the company's customers, however, use the calendar year as their budget period, which has been reflected in sales historically, such 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 about risks and uncertainties other than currency exposure due to foreign subsidiaries and the fact that most invoicing from Sweden is denominated in foreign currencies can be found in more detail in the 2015 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 interim report.

The accounting principles applied to the Group and parent company are consistent, unless otherwise stated, with the accounting principles used to prepare the latest annual report.

New and amended IFRS standards, interpretations by the IFRS Interpretations Committee, and amendments to RFR 2 applied as of 1 January 2016, have no impact on the Group's or parent company's financial reporting.

Assets measured at fair value

At the end of the quarter, the company had no forward contracts or bond funds, and on 31 March 2016, financial assets measured at fair value were MSEK 0.

AGM 2016

The AGM will take place on 10 May at 18:00 in Gällöfsta City's premises, Biblioteksgatan 29 in Stockholm.

The parent company

The parent company's net sales for the quarter amounted to MSEK 31.7 (38.1). EBIT for the period was MSEK 3.2 (12.1). Investments for the period amounted to MSEK 0.2 (0.8). During the quarter, share subscriptions increased cash by MSEK 7.8. The parent company had 83 (80) employees at the end of the period.

Related party transactions

No related party transactions occurred during the quarter, with the exception of the exercise of warrants by the CEO and CTO.

Financial calendar

22 July	Interim Report, January–June
21 October	Interim Report, January–September
31 January 2017	Year-end Report

The information in this report is such that MSAB, Corporate ID no. 556244–3050, is required to disclose in accordance with the Swedish Securities Markets Act. This information was submitted for publication on 22 April 2016 at 08:00 CEST.

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

Send questions to:

Chief Executive Officer Joel Bollö
Tel: +46 (0)8 739 0270
Email: joel.bollo@msab.com

Declaration of the Board of Directors and CEO

The under-signed certify that this interim report provides, as per current regulations, a true and fair overview of the parent company's and Group's business activities, financial position, and results of operations, as well as describing the significant risks and uncertainty factors to which the parent company and the Group are exposed.

Stockholm, 22 April 2016

Micro Systemation AB (publ)

Corporate ID no. 556244-3050

Henrik Tjernberg	Joel Bollö	Robert Ahldin	Örjan Gatu
Chairman of the Board	Chief Executive Officer	Board Member	Board Member

Ulf Arnetz	Jan-Olof Backman	Katarina G Bonde
Board Member	Board Member	Board Member

This interim report has not been audited by the company's auditors.

Consolidated income statement in summary

MSEK	Jan-Mar		12 months	Full year
	2016	2015	apr-mar	2015
Net sales	46.8	50.5	223.2	226.9
Cost of goods sold	-3.9	-2.6	-21.5	-20.2
Other external costs	-11.2	-11.6	-49.6	-50.0
Personnel costs	-26.0	-22.9	-101.8	-98.7
Depreciation of fixed assets	-0.4	-0.6	-1.4	-1.6
Total operating cost	-41.5	-37.7	-174.3	-170.5
Operating profit – EBIT	5.3	12.8	48.9	56.4
Net financial items	-	2.3	-0.1	2.2
Profit/loss before tax	5.3	15.1	48.8	58.6
Tax	-2.0	-4.0	-11.5	-13.5
Net profit/loss after tax	3.3	11.1	37.3	45.1
OTHER COMPREHENSIVE INCOME				
<i>Items to be reclassified to profit and loss</i>				
Currency translation differences	-1.0	1.1	-2.7	-0.6
Tax on currency translation differences	0.1	-0.1	0.3	0.1
Change in hedging reserves	-	1.2	-0.7	0.5
Tax on hedging reserves	-	-0.3	0.2	-0.1
Total comprehensive income	2.4	13.0	34.4	45.1
Comprehensive income for the period attributable to the shareholders of the parent company	2.4	13.0	34.4	45.1

Key figures

	Jan-Mar		12 months	
	2016	2015	apr-mar	2015
Revenue growth, %	-7.3	58.2	-1.6	25.4
EBIT-margin, %	11.3	25.4	21.9	24.9
Cash flow from operating activities per share, SEK	0.28	0.92	2.53	3.16
Return on equity, %	3.7	19.0	42.1	58.6
Return on capital employed, %	7.0	27.3	62.0	84.0
Equity per share, SEK	5.54	4.20	5.5	4.99
Earnings per share, basic, SEK	0.18	0.62	2.08	2.52
Earnings per share, diluted, SEK	0.18	0.61	2.05	2.48
Average number of shares, basic, million	17.9	17.9	17.9	17.9
Average number of shares, diluted, million	18.3	18.1	18.2	18.2

Consolidated balance sheet in summary

MSEK	Mar-31		Dec-31
	2016	2015	2015
ASSETS			
Intangible assets	0.6	0.5	0.6
Tangible assets	2.5	2.3	2.7
Deferred tax asset	0.5	1.4	0.7
Total non-current assets	3.6	4.2	4.0
Inventories	4.7	7.4	5.2
Accounts receivable – trade	31.2	34.2	42.3
Current tax asset	1.2	0.8	1.2
Other current assets	5.8	7.3	4.6
Other investments	–	9.0	–
Cash and cash equivalents	115.1	74.1	103.7
Total current assets	158.0	132.8	157.0
TOTAL ASSETS	161.6	137.0	161.0
EQUITY AND LIABILITIES			
Equity	101.1	76.2	90.9
Accounts payable – trade	3.4	3.1	5.0
Current tax liability	3.8	4.8	2.5
Other current liabilities	53.3	52.9	62.6
Total current liabilities	60.5	60.8	70.1
TOTAL EQUITY AND LIABILITIES	161.6	137.0	161.0

Change in equity

MSEK	Mar-31		Dec-31
	2016	2015	2015
Opening balance	90.9	63.2	63.2
Profit/loss for the period	2.4	13.0	45.1
Incentive program	–	–	–
Issue of share option rights	7.8	–	0.5
Dividend	–	–	-17.9
Equity at the end of the period	101.1	76.2	90.9

Cash flow statement in summary

MSEK	Jan-Mar		Full year		
	2015	2014	2015	2014	2013
Cash flow before working capital changes	4.3	14.6	46.8	23.0	2.0
Working capital changes	0.9	2.1	10.8	-8.2	15.8
Cash flow from operating activities	5.2	16.7	57.6	14.8	17.8
Investments in fixed assets	-0.2	-0.9	-2.3	-0.5	-0.5
Conversion of investment fund to cash	-	-	9.1	-	-
Cash flow from investing activities	-0.2	-0.9	6.8	-0.5	-0.5
Dividend paid to shareholders	-	-	-17.9	-1.8	-10.6
Premium received for share option rights	7.8	-	0.5	0.3	-
Cash flow from financing activities	7.8	-	-17.4	-1.5	-10.6
Cash flow for the period	12.8	15.8	47.0	12.8	6.7
Cash at the beginning of the period	103.7	56.5	56.5	41.2	34.5
Exchange rate difference in cash	-1.4	1.8	0.2	2.5	-
Cash at the end of the period	115.1	74.1	103.7	56.5	41.2

Quarterly data

	2016		2015		2014				
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales, MSEK	46.8	65.2	59.6	51.5	50.5	65.5	45.9	37.6	31.9
EBIT, MSEK	5.3	18.2	15.3	10.1	12.8	19.5	11.4	-7.0	-9.8
EBIT-margin, %	11.3	28.0	25.7	19.5	25.4	29.7	24.7	-18.5	-30.5
Earnings per share, SEK	0.18	0.87	0.66	0.34	0.61	0.81	0.56	-0.37	-0.43
Return on equity, %	3.7	20.7	19.4	12.2	19.0	26.1	21.2	-15.9	-16.7
Return on capital employed, %	7.0	26.6	28.2	21.7	27.3	38.4	24.8	-14.9	-20.7
Equity ratio, %	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	0.28	1.12	0.79	0.33	0.92	1.30	0.06	0.49	-1.04
Equity per share, SEK	5.54	4.97	4.14	3.49	4.20	3.52	2.67	2.05	2.30

Definitions

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.

Equity per share

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

Parent company income statement in summary

MSEK	Jan-Mar	
	2016	2015
Net sales	31.7	38.1
Cost of goods sold	-3.9	-2.1
Other external costs	-7.6	-8.5
Personnell costs	-16.6	-14.9
Depreciation of fixed assets	-0.4	-0.5
Total operating cost	-28.5	-26.0
Operating profit - EBIT	3.2	12.1
Net financial items	2.4	2.3
Profit/loss before tax	5.6	14.4
Tax	-1.2	-3.2
Net profit/loss after tax	4.4	11.2

Statement of comprehensive income

MSEK	Jan-Mar	
	2016	2015
Net profit/loss after tax	4.4	11.2
Change in hedging reserves	-	1.2
Tax on hedging reserves	-	-0.2
Total comprehensive income	4.4	12.2

Parent company balance sheet in summary

MSEK	Mar-31	
	2016	2015
ASSETS		
Intangible assets	0.6	0.6
Tangible assets	2.4	2.3
Shares in group companies	–	–
Total fixed assets	3.0	2.9
Inventories	4.7	7.4
Accounts receivable – trade	28.9	32.3
Other current assets	5.5	7.0
Other investments	–	9.0
Cash and cash equivalents	78.8	38.1
Total current assets	117.9	93.8
TOTAL ASSETS	120.9	96.7
EQUITY AND LIABILITIES		
Share capital	3.8	3.7
Share premium	7.8	–
Statutory reserve	20.3	20.3
<i>Restricted equity</i>	31.9	24.0
Profit brought forward	57.6	43.1
<i>Non-restricted equity</i>	57.6	43.1
Total equity	89.5	67.1
Accounts payable – trade	4.6	2.9
Current tax liability	3.0	4.0
Other current liabilities	23.8	22.7
Total current liabilities	21.4	29.6
TOTAL EQUITY AND LIABILITIES	120.9	96.7