

Year-End Report January–December 2015

Record year with sharply higher profits and strong growth

Fourth quarter

- Net sales decreased by 0.5% to MSEK 65.2 (65.5); (–5.9% in local currencies)
- EBIT was MSEK 18.2 (19.5).
- The EBIT margin was 28.0% (29.7) (26.1% in local currencies)
- Profit after tax was MSEK 15.9 (14.6)
- Basic earnings per share totalled SEK 0.89 (0.81)
- Diluted earnings per share totalled SEK 0.87 (0.81)
- Cash flow from operating activities amounted to MSEK 20.5 (23.4)

January–December

- Net sales increased by 25.4% to MSEK 226.9 (181.0); (12.4% in local currencies)
- EBIT increased to MSEK 56.4 (14.1).
- The EBIT margin was 24.9% (7.8); (20.1% in local currencies)
- Legal expenses totalling MSEK 12.4 and incentive scheme expenses of MSEK 9.2 had a negative impact on EBIT for 2014. Excluding these expenses, EBIT was MSEK 35.7 and the EBIT margin was 19.7%
- Profit after tax was MSEK 45.1 (10.4)
- Basic earnings per share totalled SEK 2.52 (0.58)
- Diluted earnings per share totalled SEK 2.48 (0.58)
- Cash flow from operating activities amounted to MSEK 57.6 (14.8)
- Cash and cash equivalents totalled MSEK 103.7 (65.5) at the end of the year
- The Board proposes that the Annual General Meeting approves a dividend of SEK 2.2 (1.0) per share.

+25%

Net sales full-year

25%

EBIT margin full-year

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

The Company's sales grew by 25.4% and totalled MSEK 226.9 (181.0) for the full year of 2015. EBIT for the full year was MSEK 56.4 (14.1), corresponding to an EBIT margin of 24.9% (7.8). Sales and earnings were the best in company history. Cash flow from operating activities remained strong and exceeded after-tax profit for the year. In the fourth quarter, sales reached MSEK 65.2 (65.5) and EBIT was MSEK 18.2 (19.5).

Taken as a whole, 2015 was a strong year and we have not achieved equivalent EBIT margins under good growth in five years. The fourth quarter stands out for its lack of sales growth, and the reasons for this are several. As previously communicated, a lease model was used for the breakthrough order for XRY Kiosk in Q3. This means that income is recognised on a straight-line basis over the rental period and thus has a negative impact on both sales and EBIT of MSEK 3 and MSEK 2.6, respectively. In addition, sales to certain major federal agencies in the US have not been of the same magnitude as last year. It is normal for growth to vary from one quarter to the next in our market segment.

Growth for the year is broad based and across all regions. No analysts specifically monitor our market niche at this time, but our own assessment is that during 2015 we captured market share in a growing market. We have consolidated our position as the leading innovator of solutions that offer broad support to investigative agencies.

EMEA & Latin America grew at a rate of 23.9% with sales of MSEK 104.8. Once again, EMEA showed its strength and potential by not only being our largest market, but also the one that grew most in absolute figures. Customers in Europe continue to be pioneers in mobile forensics and invest early in new technology. It was no surprise that the breakthrough for XRY Kiosk came from the UK. Europe often sets the standard for the rest of the world.

North America grew at a rate of 22.0% with sales of MSEK 93.8. The organisational changes we implemented in 2014 are now beginning to produce results. After further reinforcement in 2015 we now have an organisational structure that enables continued growth while maintaining quality. Growth potential in the US remains high, especially in local and state police agencies.

Asia and CIS grew at a rate of 45.2% with sales of MSEK 28.3. Measured in percent, the Asia and CIS market grew fastest, and the initiative that began in 2013 has produced results. The potential for growth in this region is also substantial.

Demand for solutions in the field of mobile forensics continues to be good. Today over 90% of all phones sold are smartphones, and the amount of personal information stored on mobile phones is steadily increasing.

In July we launched a new version of XRY Kiosk, which is a customised solution for customers who seize large volumes of telephones. XRY Kiosk enables a decentralised approach, securing evidence far out in the police organisations in order to handle these large volumes.

In 2015 MSAB won the largest contract for kiosk solutions ever awarded worldwide to the London Metropolitan Police in the UK (MPS). The contract was won following fierce competition and after extensive evaluation. MPS' implementation of our technology will serve as a model for other police departments with similar needs.

MSAB works energetically to build long-term customer relationships. The majority of the customers who bought their first system from MSAB ten years ago are now some of our largest and most important customers. An important aspect of our work is to convey our extensive experience and knowledge in our area of expertise. Training activities continue to be an important part of the relationship we build with our customers. In 2015 this area grew by 27.6% with good profitability.

In 2016, we will further strengthen our customer offering by providing strategic support in the evaluation and implementation process for advanced mobile forensic systems. MSAB will also further clarify its existing product offering.

We have every reason to be optimistic about the coming years. The types of products that MSAB provide are fast becoming indispensable to law enforcement, to ensure safer communities and delivery of effective criminal justice. There are challenges, including tougher encryption in mobile devices, but these challenges also mean opportunities for MSAB. Our idea has always been to solve difficult problems. We leave the easy problems to others. We want to contribute to a safer, more secure, society – a need that continues to be great.

Stockholm January 2016

Joel Bollö
President & CEO

Operations during the year

The market

EMEA & Latin America – the region is making great strides, with the UK still the single largest market. All markets in the region demonstrated growth, with the exception of Latin America. XRY Kiosk garnered a broad and positive response, with several major contracts in the region. During the fourth quarter the previously announced sale was delivered to Metropolitan Police Services. In this deal, the customer is leasing the equipment rather than purchasing it. The revenue is recognised on a straight-line basis over the term of the lease, which had a negative impact of MSEK 3 on fourth quarter sales. For the full year, sales in the region grew at a rate of 23.9% compared with 2014.

North America – the segment for state and local agencies performed well during the year. The license renewal rate has gradually increased over the course of the year, thereby confirming strong confidence in the Company’s solutions. Sales volumes to other federal authorities were not of the same magnitude as during the fourth quarter of 2014, which explains why sales were somewhat lower in the fourth quarter of 2015. For the full year, sales grew at a rate of 22.0% compared with 2014. This growth is partly due to a stronger dollar.

Asia and CIS – The largest individual market is Australia and New Zealand, where the sales trend remained strong during the year. The market in China grew most in terms of percentage, though from lower absolute figures. Marketing in Japan intensified during the year, resulting in several contracts. For the full year, sales in the region grew at a rate of 45.2% compared with 2014.

Products

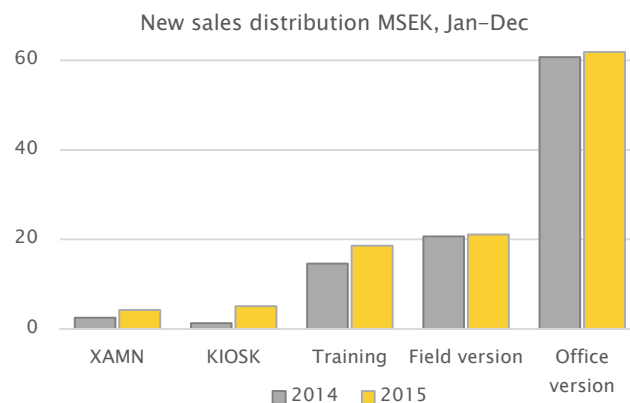
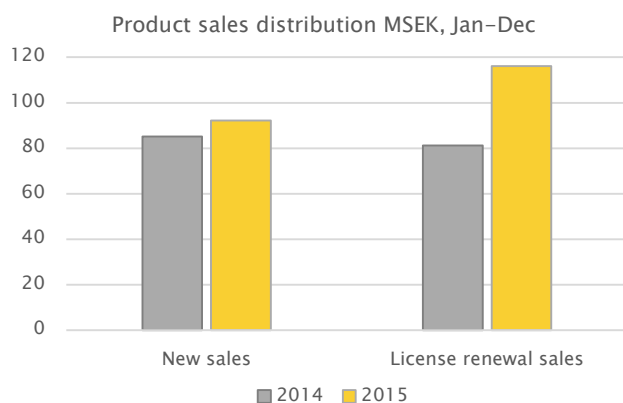
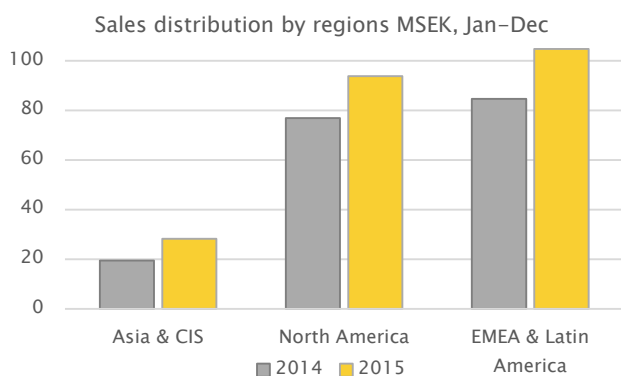
The Company launched a new version of XRY Kiosk. This product is aimed at users who need to quickly confirm or refute suspicions. All products have also been updated to reflect the Company’s new graphic profile.

Training

We see a clear correlation between training and the effectiveness of our users. Demand for training in Europe was already high and it significantly increased in North America during the year. For the full year, sales grew at a rate of 27.6% compared with 2014.

Important post-quarter events

- The Board of Directors of MSAB made the assessment that these results may deviate from market expectations and therefore presented preliminary figures on 15 January.



Comments on financial developments

Net sales

The Group's net sales decreased during the fourth quarter by 0.5% to MSEK 65.2 (65.5) and increased for the full year by 25.4% to MSEK 226.9 (181.0). In local currencies net sales decreased by 5.9% for the quarter and increased by 12.4% for the full year.

Expenses

The cost of goods for resale for the quarter was MSEK 5.9 (9.9) and for the full year MSEK 20.2 (18.6).

Other external expenses for the quarter amounted to MSEK 13.3 (12.5) and for the full year MSEK 50.0 (56.7). Expenses attributable to an earlier lawsuit of MSEK 12.4 had a negative impact on the previous year.

Personnel costs for the quarter totalled MSEK 27.4 (23.3) and for the full year MSEK 98.7 (90.1). The cost increase is mainly due to an increase in the number of employees. Incentive scheme expenses of MSEK 9.2 had a negative impact on the previous year.

Profit/loss

EBIT for the quarter was MSEK 18.2 (19.5), corresponding to an EBIT margin of 28.0% (29.7). For the full year EBIT was MSEK 56.4 (14.1), corresponding to an EBIT margin of 24.9% (7.8).

In local currencies the EBIT margin for the quarter totalled 26.1% and for the full year 20.1%.

Net financial items totalled MSEK 1.0 (0.3) for the quarter and MSEK 2.2 (0.6) for the full year. Net financial items primarily comprise the revaluation of cash and cash equivalents in foreign currency. Matching of revenues and expenses in the same currencies takes place to the greatest extent possible. Currency hedging is done to some extent based on estimated future inflows. Profit after tax for the quarter totalled MSEK 15.9 (14.6) and for the full year MSEK 45.1 (10.4).

Cash flow and financial position

The equity ratio at the end of the year was 56.5% (50.0). Cash flow from operating activities for the quarter totalled MSEK 20.5 (23.4) and for the full year MSEK 57.6 (14.8).

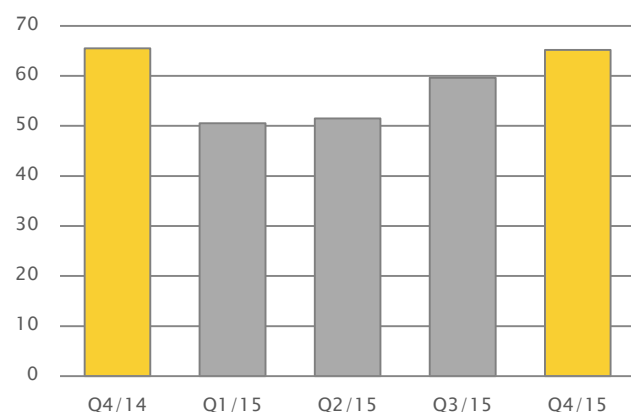
During the year dividends were paid totalling MSEK 17.9 (1.8) and divested fund units were added to cash corresponding to MSEK 9.1 (0.0).

Cash and cash equivalents totalled MSEK 103.7 (65.5) at the end of the year. Investments for the year amounted to MSEK 2.3 (0.6).

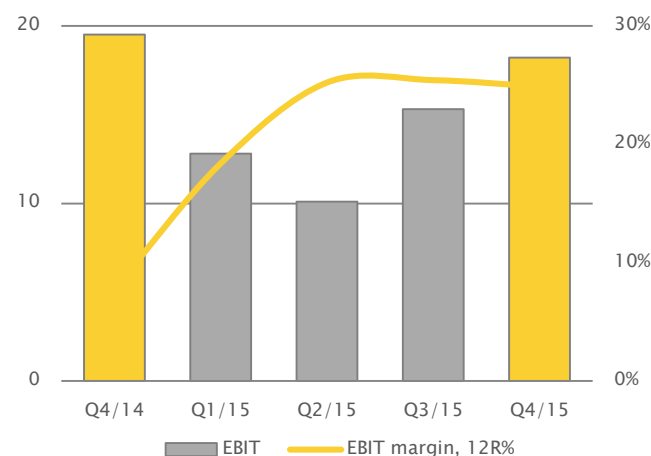
Personnel

The Group had 111 (101) employees at the end of the year. The average number of employees was 109 (95). MSAB's CFO Joachim Sandberg has given notice that he wishes to leave the Company for an opportunity outside the Group. Recruitment of a successor has begun.

Net sales MSEK



EBIT MSEK



Other

Seasonal effects

MSAB does not depend on certain seasons in the sense that is usually intended by the term seasonal effect. However, most of the company's customers use the calendar year as their budget period, which historically has been reflected in sales so that the fourth quarter is stronger than other quarters during a calendar year.

Risks and uncertainties

The Group's activities expose it to risks and uncertainties. In addition to currency exposure due to foreign subsidiaries, as well as the fact that most invoicing from Sweden is denominated in foreign currencies, information about risks and uncertainties can be found in greater detail in the 2014 Annual Report. The annual report is available on the Company's website.

Accounting policies

This interim report was 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.

The accounting policies applied for the Group and the parent company are consistent, unless otherwise stated, with the accounting policies used in the preparation of the most recent annual report.

New and amended IFRS standards, interpretations by the IFRS Interpretations Committee, and amendments to RFR 2, applied from 1 January 2015, have no impact on the parent company's or Group's financial statements.

Assets measured at fair value

As at 31 December 2015 financial assets, measured at fair value, amounted to SEK 25 (MSEK 0.5) regarding forward contracts. Assets are valued according to level 2 principles on the closing date. Measurement at fair value of forward exchange contracts is based on quoted forward prices in an active market.

2016 Annual General Meeting

The Annual General Meeting will be held at 6 p.m. on 10 May 2016 in the premises at Gällöfsta City, Biblioteksgatan 29, Stockholm. Shareholders wishing to have a matter addressed at the AGM must submit a written proposal no later than 5 February to ensure that the matter can be included in the notice to attend the AGM.

Nominating Committee

The Nominating Committee for MSAB comprises the chair, Erik Hermansson (Humble Kapitalförvaltning AB) as well as

members Henrik Tjernberg and Joakim Dahl (Edastra AB). The task of the Nominating Committee is to develop proposals for a chair of the AGM, the Board of Directors, Chair of the Board, auditor, fees for the Board and auditors, as well as proposals for Nominating Committee procedures.

Dividend

The Board proposes that the Annual General Meeting approves a dividend of SEK 2.2 (1.0) per share. The total dividend will be MSEK 39.5 (17.9).

Parent Company

The parent company's net sales for the full year amounted to MSEK 169.1 (140.2). EBIT for the full year amounted to MSEK 48.3 (13.2). Investments for the year amounted to MSEK 2.1 (0.6). The parent company had 81 (78) employees at the end of the year.

Incentive scheme 2015–2018

On 6 May 2015, the Annual General Meeting resolved to implement a long-term incentive scheme for the company's senior executives and certain key personnel with the exception of CEO Joel Bollö and CTO Örjan Gatu. The scheme has had no impact on profit other than limited administrative costs. For further information about the schemes in progress please see the company's website.

Related party transactions

No related party transactions occurred during the quarter or the period other than what is stated under the long-term incentive scheme.

Financial calendar

22 April	Interim report January–March
22 July	Interim report January–June
21 October	Interim Report January–September
31 January 2017	Year-end Report 2016

The information in this report is information that MSAB, corporate registration number 556244–3050, is required to disclose in accordance with the Swedish Securities Markets Act. The information was submitted for publication on 29 January 2016 at 08:00 a.m. CET.

This report and earlier financial reports and press releases can be found on the company's website www.msab.com.

Send questions to:

Chief Executive Officer Joel Bollö, tel. +46 (0)8–739 02 70, e-mail: joel.bollo@msab.com

This year-end report is a translation for information purposes only – in case of any discrepancies between this version and the Swedish, the Swedish version shall prevail.

Board and CEO's statement

The undersigned certify that this year-end report provides, according to current regulations, a true and fair overview of the development of the parent company's and the Group's business activities, financial position and results of operations as well as the significant risks and uncertainties to which the parent company and the companies included in the Group are exposed.

Stockholm 28 January 2016

Micro Systemation AB (publ)

Corporate ID no. 556244-3050

Henrik Tjernberg
Board member

Joel Bollö
Chief Executive Officer

Robert Ahldin
Board member

Örjan Gatu
Board member

Ulf Arnetz
Board member

Jan-Olof Backman
Board member

Katarina G Bonde
Board member

This year-end report has not been audited by the company's auditors.

Consolidated income statement in summary

MSEK	Oct-Dec		Full year		
	2015	2014	2015	2014	2013
Net sales	65.2	65.5	226.9	181.0	137.5
Cost of goods sold	-5.9	-9.9	-20.2	-18.6	-17.2
Other external costs	-13.3	-12.5	-50.0	-56.7	-45.6
Personnel costs	-27.4	-23.3	-98.7	-90.1	-65.4
Depreciation of fixed assets	-0.4	-0.3	-1.6	-1.5	-1.4
Total operating cost	-47.0	-46.0	-170.5	-166.9	-129.6
Operating profit – EBIT	18.2	19.5	56.4	14.1	7.9
Net financial items	1.0	0.3	2.2	0.6	1.4
Profit/loss before tax	19.2	19.8	58.6	14.7	9.3
Tax	-3.3	-5.2	-13.5	-4.3	-2.5
Net profit/loss after tax	15.9	14.6	45.1	10.4	6.8
OTHER COMPREHENSIVE INCOME					
<i>Items to be reclassified to profit and loss</i>					
Currency translation differences	-0.5	2.0	-0.6	4.2	-
Tax on currency translation differences	0.1	-0.7	0.1	-0.7	-
Change in hedging reserves	-0.1	-0.9	0.5	-0.5	0.9
Tax on hedging reserves	-	0.2	-0.1	0.1	-0.2
Total comprehensive income	15.4	15.2	45.0	13.5	7.5
Comprehensive income for the period attributable to the shareholders of the parent company	15.4	15.2	45.0	13.5	7.5

Key figures

	Oct-Dec		Full year		
	2015	2014	2015	2014	2013
Revenue growth, %	-0.5	59.7	25.4	31.6	0.7
EBIT margin, %	28.0	29.7	24.9	7.8	5.8
Cash flow from operating activities per share, SEK	1.12	1.30	3.16	0.82	1.01
Return on equity, %	20.7	26.1	58.6	18.6	13.6
Return on capital employed, %	26.6	38.4	84.0	31.4	20.1
Equity per share, SEK	4.97	3.52	4.99	3.52	2.72
Basic earnings per share, SEK	0.89	0.81	2.52	0.58	0.39
Diluted earnings per share, SEK	0.87	0.81	2.48	0.58	0.39
Average number of shares (basic), million	17.9	17.9	17.9	17.9	17.7
Average number of shares (diluted), million	18.3	17.9	18.2	17.9	17.7

Consolidated balance sheet in summary

MSEK	Dec-31		
	2015	2014	2013
ASSETS			
Intangible assets	0.6	0.6	1.2
Tangible assets	2.7	1.9	2.3
Deferred tax asset	0.7	1.9	-
Total non-current assets	4.0	4.4	3.5
Inventories	5.2	7.1	6.0
Accounts receivable – trade	42.3	44.0	22.1
Current tax asset	1.2	-	7.9
Other current assets	4.6	5.3	4.8
Other investments	-	9.1	9.0
Cash and cash equivalents	103.7	56.5	41.2
Total current assets	157.0	122.0	91.0
TOTAL ASSETS	161.0	126.4	94.5
EQUITY AND LIABILITIES			
Equity	90.9	63.2	48.2
Accounts payable – trade	5.0	12.7	7.1
Current tax liability	2.5	2.0	2.4
Other current liabilities	62.6	48.5	36.8
Total current liabilities	70.1	63.2	46.3
TOTAL EQUITY AND LIABILITIES	161.0	126.4	94.5

Change in equity

MSEK	Dec-31		
	2015	2014	2013
Opening balance	63.2	48.2	52.7
Profit/loss for the period	45.0	13.5	7.4
Incentive scheme	-	3.0	-1.3
Issue of share option rights	0.5	0.3	-
Dividend	-17.9	-1.8	-10.6
Equity at the end of the period	90.9	63.2	48.2

Cash flow statement in summary

MSEK	Oct-Dec		Full year		
	2015	2014	2015	2014	2013
Cash flow before working capital changes	14.6	21.7	46.8	23.0	2.0
Working capital changes	5.9	1.7	10.8	-8.2	15.8
Cash flow from operating activities	20.5	23.4	57.6	14.8	17.8
Investments in fixed assets	-0.6	-0.4	-2.3	-0.5	-0.5
Conversion of investment fund to cash	-	-	9.1	-	-
Cash flow from investing activities	-0.6	-0.4	6.8	-0.5	-0.5
Dividend paid to shareholders	-	-	-17.9	-1.8	-10.6
Premium received for share option rights	-	-	0.5	0.3	-
Cash flow from financing activities	-	-	-17.4	-1.5	-10.6
Cash flow for the period	19.9	23.0	47.0	12.8	6.7
Cash at the beginning of the period	84.9	33.1	56.5	41.2	34.5
Exchange rate difference in cash	-1.1	0.4	0.2	2.5	-
Cash at the end of the period	103.7	56.5	103.7	56.5	41.2

Quarterly data

	2015				2014				2013			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales, MSEK	65.2	59.6	51.5	50.5	65.5	45.9	37.6	31.9	41.0	32.3	35.9	28.3
EBIT, MSEK	18.2	15.3	10.1	12.8	19.5	11.4	-7.0	-9.8	3.5	1.6	5.1	-2.3
EBIT margin, %	28.0	25.7	19.5	25.4	29.7	24.7	-18.5	-30.5	8.5	5.1	14.1	-8.1
Earnings per share, SEK	0.87	0.66	0.34	0.61	0.81	0.56	-0.37	-0.43	0.16	0.07	0.26	-0.10
Return on equity, %	20.7	19.4	12.2	19.0	26.1	21.2	-15.9	-16.7	5.5	2.7	10.8	-3.2
Return on capital employed, %	26.6	28.2	21.7	27.3	38.4	24.8	-14.9	-20.7	7.7	4.5	13.6	-2.8
Equity ratio, %	56.5	51.8	51.2	55.6	50.0	48.2	42.0	49.6	51.0	52.4	51.4	55.9
Cash flow from operations/per share, SEK	1.12	0.79	0.33	0.92	1.30	0.06	0.49	-1.04	-0.05	-0.06	0.20	0.91
Equity per share, SEK	4.97	4.14	3.49	4.20	3.52	2.67	2.05	2.30	2.72	2.61	2.58	2.86

Definitions

EBIT margin

EBIT in relation to net sales.

Earnings per share

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

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-Dec	
	2015	2014
Net sales	169.1	140.2
Cost of goods sold	-20.1	-17.8
Other external costs	-33.3	-40.9
Personnell costs	-65.9	-66.9
Depreciation of fixed assets	-1.5	-1.4
Total operating cost	-120.8	-127,0
Operating profit – EBIT	48.3	13.2
Net financial items	2.2	2,0
Profit/loss before tax	50.5	15.2
Tax	-11.2	-3.2
Net profit/loss after tax	39.3	12,0

Statement of comprehensive income

MSEK	Jan-Dec	
	2015	2014
Net profit/loss after tax	39.3	12,0
Change in hedging reserves	0.5	-0.5
Tax on hedging reserves	-0.1	0.1
Total comprehensive income	39.7	11.6

Parent company balance sheet in summary

MSEK	Dec-31	
	2015	2014
ASSETS		
Intangible assets	0.6	0.6
Tangible assets	2.5	1.9
Shares in group companies	0	0
Total fixed assets	3.1	2.5
Inventories	5.2	7.1
Accounts receivable – trade	28.1	33.8
Other current assets	4.1	5.1
Other investments	–	9.1
Cash and cash equivalents	73.3	35.1
Total current assets	110.7	90.2
TOTAL ASSETS	113.8	92.7
EQUITY AND LIABILITIES		
Share capital	3.7	3.7
Statutory reserve	20.3	20.3
<i>Restricted equity</i>	24.0	24.0
Profit brought forward	53.2	30.9
<i>Non-restricted equity</i>	53.2	30.9
Total equity	77.2	54.9
Accounts payable – trade	4.4	12.3
Current tax liability	2.3	1,0
Other current liabilities	29.9	24.5
Total current liabilities	36.6	37.8
TOTAL EQUITY AND LIABILITIES	113.8	92.7