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Financial calendar 2016

The AGM will be held at Gällöfsta City's premises on Biblioteksgatan 29 in Stockholm, Tuesday, 10 May 2016 at 18.00.

Interim report January-March22 AprilInterim report January-June22 JulyInterim report January-September21 OctoberYear-end report31 January, 2017

Contact point for shareholders:

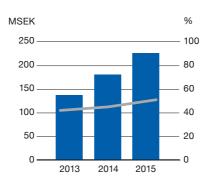
Joel Bollö, CEO

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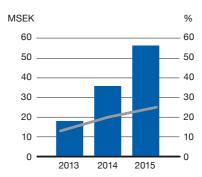
The Annual Report is in all respects a translation of the Swedish Annual Report prepared in accordance with Swedish laws and regulations. In the event of any differences between this translation and the Swedish original, the Swedish Annual Report shall have precedence.



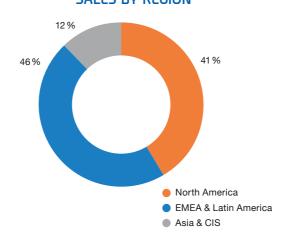
NET SALES AND RECURRING REVENUES



EBIT MARGIN

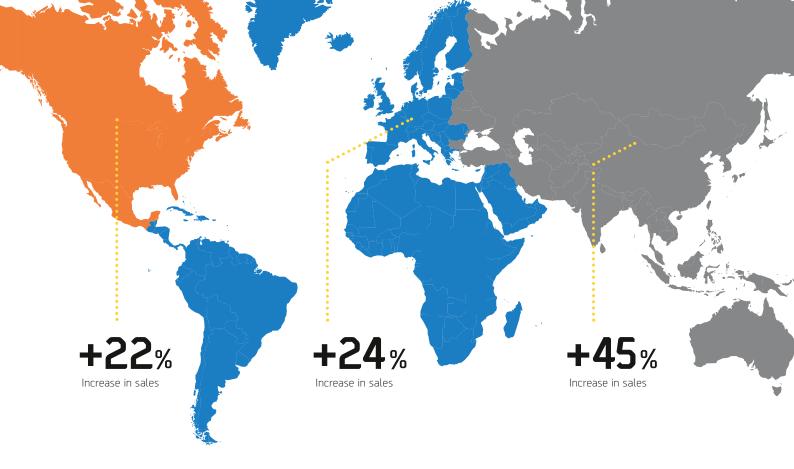


SALES BY REGION



PROPOSED DIVIDEND SEK 2,2 PER SHARE

+120%



Mobile technology changes the world

There are billions of mobile devices such as phones, tablets, GPS units and watches. Even where there are no computers, people use mobiles: in the cities, in the countryside, in deserts and mountains. Wherever we go, whatever we do, we bring our mobile devices.

This is also true for people who break the rules of society. They use mobile devices and that can be a good thing. Mobile technology leaves traces, like digital footprints. These can reveal a hidden world – a fragmented world at times, but a world that points to the truth. It is our task to help our customers search for that truth, in order to make the world a safer place.

Our customers are passionate about their jobs. They truly believe in justice and peace. However, when it comes to mobile technology they meet tough challenges. There is a constant flow of new devices, new operating systems and new apps. Staying ahead of these challenges is absolutely critical for our customers.

MSAB takes responsibility for supporting our customers with the best possible solutions for mobile forensics. This means that we also need to stay ahead of the game; with our products and services, with our vision and energy, with our people and how we do things. We are the pioneers of our industry. Our promise is simple:

MSAB - When you want to stay ahead

2015 in brief

Net sales increased 25.4 percent reaching MSEK 226.9 in 2015 compared to MSEK 181.0 the previous year. In local currencies, the increase in sales was 12.4 percent. EBIT increased from MSEK 14.1 to MSEK 56.4 corresponding to an EBIT margin of 24.9 (7.8) percent. In local currencies, the EBIT margin was 20.1 percent.

In 2014, EBIT was charged with process expenses totalling MSEK 12.4 and by expenses for the incentive programme in the amount of MSEK 9.2. Excluding these expenses, EBIT for 2014 was MSEK 35.7 and the EBIT margin was 19.7 percent.



First quarter

- Net sales increase 58 percent and the EBIT margin reaches 25 percent.
- The Company implements a new graphic profile and will go by the name MSAB in the future.
- Radio Tactics Ltd. appeals the European Patent Office's decision to revoke a previously granted patent.





Second quarter

- Net sales increase 37 percent and the EBIT margin is 20 percent.
- All products are updated to reflect the Company's new graphic profile.
- The 2015 AGM decides to distribute a dividend of SEK 1 per share to shareholders.





Third quarter

- Net sales increase 30 percent and the EBIT margin reaches 26 percent.
- MSAB launches an updated version of XRY Kiosk.
 XRY Kiosk targets users who must quickly confirm or refute suspicion.
- The Company receives an order for XRY Kiosk from the Metropolitan Police in the U.K. The order is for 60 systems and an associated training package to a value of just over MSEK 5.5.





Fourth quarter

- Net sales match those of last year's record quarter reaching MSEK 65. The EBIT margin reaches 28 percent.
- Cash flow from operational activities remains strong and exceeds after-tax profit for the year.
- The Board proposes that the 2016 AGM approves a dividend of SEK 2.2 per share.



Record year with enhanced profit and strong growth

Over 90 percent of all phones sold today are smart phones. The amount of data every person stores on their phone has never been greater and is constantly increasing. There is a great need and demand for mobile forensic solutions, and our ambition is to deliver these and continue as a market leader now and in the future.

2015 was a fantastic year for MSAB. Growth for the year was even across the board, with all regions experiencing growth. Our assessment is that we increased our market share during the year. We've re-enforced our position as a leading innovator with solutions that provide solid support to criminal investigative authorities.

Sales increased 25.4 percent to MSEK 226.9 (181.0) for whole year 2015. EBIT for the whole year was MSEK 56.4 (14.1), which corresponds to an EBIT margin of 24.9 (7.8) percent. Sales and profit were the best in the Company's history. Cash flow from operating activities remained strong and exceeded the after-tax profit.

Greater efficiency with a holistic concept

The mobile forensics market evolves quickly and the majority of all telephones used around the world are smart phones. Mobile phones are of interest in every type of suspected crime. Many police departments have not had time to adapt their processes to this new situation. Securing evidence affects all departments within the judicial system today. Despite this, it is normally just the IT labs that are actively involved in investigation of mobile phones. This means that police do not have the time to recover data from as many phones as they would like, and especially not within a desirable timeframe. Police departments around the world are facing enormous challenges which require new ways of working and methodologies in order to maintain an efficient organisation.

In early 2016, MSAB launches a solution to make the work of police much more effective. To succeed in this, we must offer something that helps everyone throughout the entire organisation. We are proud to launch our unique MSAB Ecosystem. MSAB's Ecosystem is not a product. Rather it is a new concept where we offer our customers holistic solutions. We know that customers who invest in MSAB Ecosystem will be much more effective in the way they secure and handle the contents of mobile phones. Our customers will be able to increase the resolution frequency of reported crime by up to 30 percent, and we believe there are few investments that can deliver the same increase in efficiency. It will take some time before customers invest fully in the MSAB Ecosystem, but once they do, we will have further established our position as a strategic supplier.

Customers

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

MSAB works intensively to build long-term customer relations. The majority of customers who bought their first system from us ten years ago are today 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 percent with good profitability.

Our markets

EMEA & Latin America grew 23.9 percent and sales reached MSEK 104.8. EMEA once again demonstrated strength and potential not just through its position as our largest market, but also by growing most in absolute figures. Customers in Europe are still the pioneers when it comes to mobile forensics and invest early in new technology. It is not surprising that the XRY Kiosk breakthrough took place in the U.K. Europe often sets the norm for the rest of the world.

North America grew 22 percent and sales amounted to MSEK 93.8. We are starting to see the effects of the reorganisation we conducted in the USA in 2014. Additional reinforcements in 2015 have given us an organisational structure that enables continuing growth while maintaining quality. Growth potential in the USA remains strong, especially within local and state police departments.

Asia & CIS (the former Union of Soviet Socialist Republics, excluding the Baltic states) grew 45.2 percent and sales amounted to MSEK 28.3. Measured by percent, Asia & CIS was our fastest growing market, and initiatives started in 2013 have yielded results. There are also good opportunities for growth in this region.

In 2016, we will further strengthen our customer offering thanks to the launch of MSAB Ecosystem. We have every reason to be optimistic about the coming years. The types of products that MSAB provides are on their way to becoming indispensable for an efficient and well-functioning society governed by law. There are challenges including heavier encryption of mobiles, but at the same time these present opportunities for MSAB. Our business concept has always been to solve the difficult problems. The simpler ones we leave for others. We want to contribute to a safer society, and the need remains great.

Stockholm, April 2016 Joel Bollö Chief Executive Officer



A large-scale and small-scale alobal market

Most indications point to the mobile phone being well on its way to becoming the single most important piece of evidence in every criminal investigation.

The degree of maturity with regard to securing evidence in mobiles varies greatly between regions. This is also reflected in sales, where western Europe is the region where MSAB's products have a high penetration rate. In certain other regions, the picture is different. Authorities are still in the process of developing a coherent strategy for effective retrieval of evidence, and MSAB has an important role to play in the dissemination of information and knowledge. The technology presents opportunities to make work processes more efficient in organisations that are often overloaded. Because the technology improves the quality of investigative material more than other applied methods, legal security is enhanced.

Market conditions

The mobile forensics industry covers a broad spectrum of mobile devices. It also covers mobile phones, GPS units, tablets, memory cards, smart watches, and more. The mobile phone clearly remains the dominant mobile device, and from an investigative perspective, the most common. Manufacturers of mobile phones have to a great extent developed their own operating systems. However, with the advent of smart phones the trend has shifted. Mobile phone manufacturers now focus more on developing the phone itself, while just a few suppliers provide phone manufacturers with operating systems. This trend has led to more advanced phones, and consistency across platforms has enabled standardisation for application programmers. This has in turn led to a sharp increase in the number of applications.

Amount of data continues to increase

In addition to the increase in the number of mobile units, smart phone storage capacity is also on the rise. Mobile devices from Apple currently include 256GB memory chips. SanDisk, one of the largest suppliers of memory circuit boards, now sells the Micro SD circuit board with 200GB of storage capacity 1.

Similar growth can also be seen in the communication between mobile devices. For example, WhatsApp, one of the largest messaging services, has announced that they have 800 million users per month and that 42 billion messages - plus 250 million videos – are sent using WhatsApp every day 2. The increase in the total amount of data that must be examined

means that MSAB'S customers need more resources just to maintain existing levels of quality. Because no law enforcement agency has unlimited resources, we see how our most advanced customers have started developing methods to achieve more efficient ways of working.

For many organisations, examination of mobile devices is no longer an area of specialisation, but rather a generalised work process that most police officers must be able to handle.

FBI Director James Comey recently stated that the mobile phone has rapidly become one of the most decisive sources of evidence for countering crime. The highly publicised dispute between the FBI and Apple over encryption of the iPhone demonstrates how important this source of evidence is3.

Increased demand for large-scale installations

The Metropolitan Police in London have taken on the challenge and are leading the way through roll-out of a solution called Area4. In short, the model whereby a few specialists in laboratories examine all telephones is being abandoned. Instead, the Metropolitan Police are driving a movement whereby initial examination of phones takes place at a local level within the organisation.

We see this model as the future of mobile forensics, and customers on most mature markets are expressing a desire to implement similar work processes. Together, these create a favourable market situation for MSAB. We are well positioned for this trend and predict continued growth for utilisation of our technology, both for new and existing customers.

Increased publicity around **Mobile Forensics**

Utilisation of MSAB's products continues to pop up in news reporting from all over the world.

An appeal in Ireland, where the defence sought to exclude evidence retrieved with XRY, is of special interest. The judge denied the defence's request and expressly sanctioned acceptance of evidence recovered with XRY5.

In traditional crimes such as theft of automobiles, evidence recovered from telephones is being used in an increasingly

¹⁾ www.amazon.com

³⁾ www.fbi.gov

⁵⁾ www.herald.ie







sophisticated manner. In a case in Baltimore in November 2015, several teenagers broke into a house and stole the keys to a car. The crime could be investigated and the perpetrators identified through the digital trail their phones left when they connected to the vehicle's entertainment system via Bluetooth.

Our historical presence still counts

Older mobile phones can still make an appearance in crime investigations. These older phones, with their wide variety of operating systems, makes it difficult for new actors to enter the market. During its long history, MSAB has built up comprehensive support for older phones, as well as continuously providing support for new devices.

User groups

The market volumes for mobile forensic products is partly governed by knowledge and acceptance within the various user groups, but also by how well adapted the products are to a user's situation.

Police and the judicial system

The police are organised in different ways in different countries. An example from one of MSAB's most important markets is the U.K., where organisations are decentralised, and decisions on equipment acquisition are often taken at the regional or local level and by individual departments. The situation in France is the exact opposite. All purchasing decisions are made at a top level and result in framework agreements. In the USA there are a number of federal authorities where purchasing decisions are taken centrally, but there are also police departments working at the local or state level where decision-making is more decentralised.

The police represent the customer group that first started applying mobile forensics as a methodology for solving crime. Within this segment, we see that utilisation by customs and other authorities is for the moment more limited.

Military

The military utilise MSAB's products for retrieval and analysis of phones found or seized from suspects during military operations. Penetration of the Company's products within the military

has not yet come as far as it has within police departments. Special forces units are the foremost users of MSAB's products, but there is also limited utilisation amongst regular forces.

Intelligence agencies

MSAB's products are used world-wide by various intelligence organisations. Intelligence agencies are active domestically and abroad, and their operations require flexible tools that can quickly give access to information that can aid in determining the level of possible threats.

Geographic overview

MSAB's products have been sold in over 100 countries around the world. The Company focuses on a globally-diversified customer base, and it divides the market into three geographic areas: North America, EMEA & Latin America, and Asia & CIS. Europe is the Company's largest market, closely followed by North America.

The competition

Our primary competitor is currently Cellebrite with the product UFED. Their presence helps ensure that customers always have a choice of at least two tools for criminal technical analysis, and on the whole this is positive for the market. Oxygen is a Russian supplier whose commercial influence on the market has been rather limited. Today, MSAB has its own sales resource to help navigate those parts of the market where Russian is spoken. An example of a more local competitor is Meiya Pico, a Chinese actor present on the Chinese market.

Customer segmentation

Many authorities are struggling with lower statistics for crimes solved, even as demands for effectiveness increase. MSAB's holistic product portfolio enables utilisation further out into the organisation, which lightens the burden for more traditional crime investigators. At the same time, MSAB is broadening its market potential.

Long-term customer relations

in a forensic ecosystem

During the year, MSAB has refined its offering of mobile forensics and packaged its product solutions and service offering into one forensic ecosystem.

The business and revenue model

MSAB's core products consist of software where users purchase a license for selected basic software. The start package includes programme updates for one year and where appropriate any hardware accessories necessary to connect the digital device to a computer. At the end of the first year, the user pays an annual license renewal fee for continued access to programme updates and support. The hardware configuration that is distributed with some products contains no advanced. proprietary technology. Rather, it is offered to simplify handling. 90 percent of revenue recognition occurs on the invoice date, with the remaining 10 percent recognised on a straight-line basis over the license period - usually one year. The same principle is applied for multi-year licenses, i.e. 10 percent of revenue is reserved for each year and then spread out over the entire licensing period. For leases, revenue is spread over the entire term of the lease.

MSAB also provides a broad range of services within mobile forensics marketed under the name Professional Services. Included in MSAB's service offering are feasibility studies, implementation services and training.

Business concept

The company will deliver solutions world-wide that empower investigative authorities to effectively secure evidence recovered from digital devices.

Strategies

MSAB has identified a number of basic prerequisites that are crucial for the success of the Company's operations, and which thereby create value for shareholders.

Product and service quality assurance

From a quality perspective, MSAB shall be the best supplier of systems for recovery and analysis of data from digital devices. A strong R&D department is needed to achieve this, and technology has always played a central role within MSAB. It isn't just about building advanced systems with a high degree of functionality. Adapting systems for end users and particular situations is just as important. Quality also entails a high level of delivery assurance and first-class support.

Market presence

Through representation on many geographic markets, either by establishing a Company presence or via partners, we create proximity to existing and potential customers. To be the best supplier within a geographic market, MSAB must first understand users' needs and conditions on a local level.

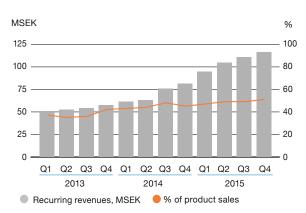
License renewals

Through annual product license renewals, MSAB creates the prerequisites to continually invest in expanded support for new models of digital devices and new functions, thereby successively refining products for the customer. First class support and continuous upgrades ensure a high degree of license renewal.

Growth

MSAB operates within a market with a high level of underlying growth. By investing in product development, market presence, and organisational resilience, MSAB's market position is consolidated. The Company is convinced that the need for professional tools for recovery and analysis of data from digital devices will continue to grow. MSAB is primarily targeting organic growth but in some cases also evaluates the possibility of acquisition.

Recurring revenues rolling 12 months



Product offerings adapted

for growing markets

Sales

Sales are conducted either in-house or via partners, and today cover much of the world. The Company is working to gradually expand its organisation as and when the degree of market maturity motivates direct establishment. During the year, MSAB established its own sales office in China. Local establishment in China facilitates import of the Company's products, which is to a large extent a prerequisite if Chinese resellers are to have a chance to resell the Company's products locally. Today, MSAB has a local presence with its own personnel in ten countries. The sales organisation is divided into three different regions: North America, Asia & CIS, and EMEA & Latin America.

Product development

The market for MSAB's products is fragmented in the sense that acceptance for the technology varies between countries and regions. Some countries, including the Nordics and the U.K., already have in place processes where technology is a prerequisite for effective law enforcement. Other countries have not yet acquired a wider knowledge and understanding of how they can or might want to use these types of products.

For MSAB, this entails a need to provide existing customers with improved functionality and expanded support for more models and applications, and also to successively increase opportunities to use the technology without any deeper prior knowledge within the area.

The launch of XRY KIOSK is a good example of the latter. MSAB also studies how users work organisationally, and taking in suggestions for product improvements in order to assess how products should be developed and designed with a view to creating high added value for the customer and broad acceptance.

Product development's objective is to:

- provide the highest possible technological performance and functionality, and
- create smart solutions adapted to users' needs, work situation, and prior knowledge.

MSAB's long-term product development strategy is built on:

- understanding how users' organisations function and how their operational reality looks in exactly those places where the products are being used or could be used,
- gathering information from users on desirable functionality and how they would like to use products,
- taking into consideration how the market for digital devices is evolving generally, and
- proactively putting forth proposals for how future products should be and how they could be used.

MSAB places great importance on performance and user friendliness, and a product offering of the highest possible class is crucial for the Company's continuing success.

The markets

North America

North America – the segment for state and local authorities has shown healthy growth during the year. The degree of license renewal successively increased during the year, which confirms that confidence in the Company's solutions is high. Whole-year sales grew 22 percent compared with last year. Some growth can be attributed to a stronger dollar.

EMEA & Latin America

The positive trend in this region remains strong, and the UK is still the largest single market. All markets within the region demonstrated growth with the exception of Latin America. There has been a broad, positive response to XRY Kiosk with several major contracts in the region. For whole-year 2015, sales in the region increased 23.9 percent compared with last year.

Asia & CIS

The single largest market is

Australia and New Zealand where
the sales trend remained strong during
the year. China experienced the most
growth percentually, though from lower
absolute figures. Efforts in Japan were
intensified during the year, resulting in a number of contracts.

For whole-year 2015 sales for the region increased 45.2 percentages.

For whole-year 2015 sales for the region increased 45.2 percent compared with last year.

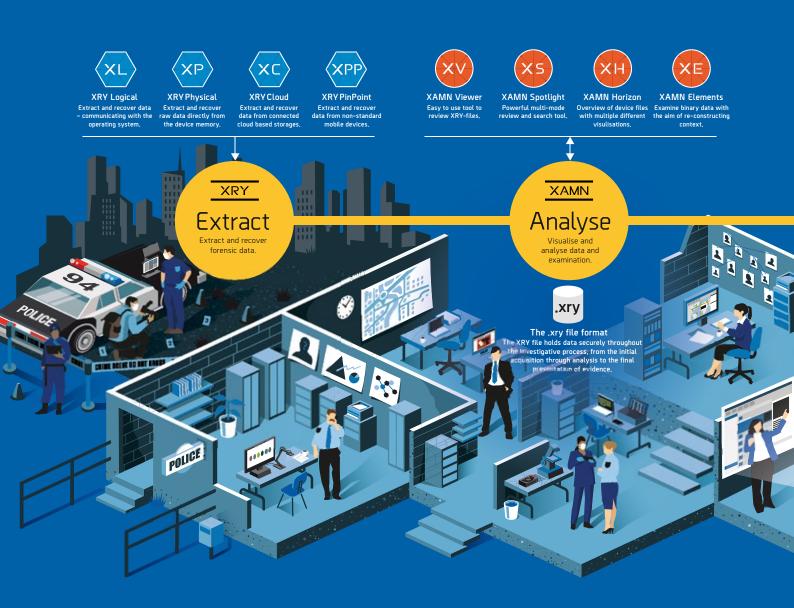
A forensic ecosystem that enables increased efficiency

MSAB's Ecosystem provides a holistic solution within digital criminal forensics.

The Company's platforms and services provide a complete ecosystem that protects our customers throughout the entire chain of custody. No matter what type of user, location, mobile device or environment, MSAB has a solution adapted to the needs of our customers.

XRY

The XRY program, designed for the Windows environment, performs secure data recovery from a wide range of mobile devices such as smart phones, tablets, modems, music players, and satellite navigation devices. Different operating systems and



unique configurations complicate extraction of data from seized devices. XRY simplifies this process, and supports thousands of different mobile devices and application versions. MSAB's intuitive software guides the user through the entire process.

XAMN

The XAMN family is a suite of analysis tools designed to make the work of investigators more effective. Once data has been recovered with the help of XRY, it falls to the investigators to find and further analyse information. XAMN helps the user find information quickly and present a comprehensive picture from a vast dataset. With XAMN, investigators can solve crimes faster and more efficiently.

XEC

The XEC family of products are management and administrations tools for the Ecosystem. They make possible different types of

network solutions that include products in the entire Ecosystem, and make possible the export of large amounts of data to other analysis tools that the company's customers might use.

Platforms

MSAB provides software products for open and turnkey platforms. Open platforms are designed for use in a standardised Windows environment. Turnkey platforms are designed to simplify for the user and come with touchscreen functions.

Professional Services

To help clients with their requirement specifications for which type of equipment will best suit their needs based on the type and structure of their organisation, MSAB has developed its service offering to include strategy services. These services allow us to work closely with clients to develop the basis for equipment specifications, implementation and training.



Working towards a

more legally secure society

The purpose behind MSAB's products and services is to work towards – and contribute to – a more legally secure society, and to be a good supplier and partner to law enforcement agencies world-wide. A prerequisite for us to be able to conduct effective business rests therefore to a great extent on our own credibility.

This means that MSAB must ensure that procurement procedures are conducted fairly, that all employees are treated equally under the law, and that we maintain as much knowledge as possible about the working conditions and production methods of our subcontractors.

MSAB's product offering has been developed and designed in close cooperation with law enforcement agencies. Thus it is natural for the Company to combine effective and profitable business with good ethics, accountability and safeguarding of the environment.

Good business ethics

MSAB is a global company with sales on all continents. This presents opportunities as well as challenges, and requires that the Company sometimes takes a stance. To ensure good business ethics are followed, MSAB has established and implemented a framework, in addition to applicable laws and regulations. This framework is formulated in the Company's Code of Ethics, and addresses such issues as bribery, conflict of interests, and personal conduct. The purpose of this Code is to stress the basic principles by which MSAB conducts business, and handles its relations with its employees, partners and other stakeholders.

Equal treatment

MSAB strives to recruit the best employees possible regardless of background. This premise has served the Company well and there is today a high level of diversity. The Company has guidelines for equal treatment of employees and to counter discrimination as regards employment or tasks on the basis of sex, religion, age, sexual orientation, or other non-relevant distinguishing characteristics.

Environmental accountability

None of the Company's operations are subject to notifications or permits as described in the Swedish Environmental Code. However, MSAB strives to contribute positively in those areas which can impact the environment. The most important environmental aspects within the Group concern resource utilisation, such as energy and materials, and some waste products. Some of the areas we take into consideration include:

- · avoiding unnecessary waste of resources
- minimising travel in favour of other forms of communication to the extent possible

- taking into consideration environmental aspects when choosing or designing office space
- complying with environmental legislation in each market where the Company operates.

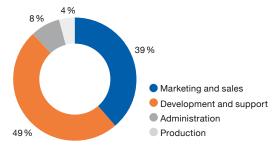
Employees and organisation

MSAB's organisational structure is based on the Company's various functions, which differs to some extent from the legal structure. This functional structure has been established based on management's assessment of how the business can be most effectively run as regards innovation, decision-making, implementation and follow-up. The Company is organised according to the following functions within the Group:

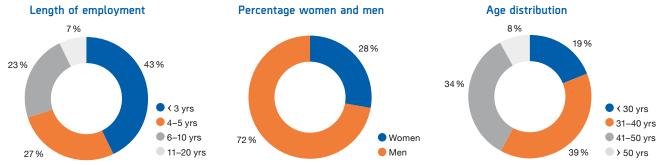
- Marketing and sales
- · Development and support
- · Administration
- Production

Additionally, MSAB has a Parent Company in Sweden and wholly-owned subsidiaries in the UK, USA, Canada, Australia, Hong Kong, and China, as well as representative offices in Russia. Adaptation of the legal structure is reviewed as the need arises. Frequently asked questions may concern employment conditions in specific countries where MSAB feels there is justification for hiring of locally-engaged staff, and thus needs to establish permanent premises. There were 101 employees at the beginning of 2015. At year-end this number had grown to 111 employees. The average number of employees during the period was 109 compared with 95 the previous year.

Employees per function







Increased confidence in a just society

At a student event in Lund, Edward Snowden said, "arguing that you don't care about the right to privacy because you have nothing to hide is no different than saying you don't care about free speech because you have nothing to say".

We have a duty to protect personal privacy. Not because we have something to hide, but because it is an indispensable part of a liberal, democratic society. From our perspective, we do not develop systems for mass surveillance. Our solutions are designed to be used when there is reasonable suspicion that a crime has been committed.

Large parts of our lives are registered in the mobile phone we have in our pocket. This can be a fantastic source of evidence, but can also a pose a very real threat in the wrong hands. We must take into consideration that governmental power is not always a force for good. There must always be reasonable grounds to examine someone's mobile phone. The motive should never be murky, and it should never be conducted in a haphazard manner.

One very current issue is whether modern smart phones with heavy encryption should be routinely furnished with a back door so police can access the content. The ambition to create and maintain a just society requires that criminal investigative authorities are given reasonable opportunities to investigate criminal activity. However, the potential for good to be exploited for evil is obvious.

MSAB has initiated a discussion on a working concept for how the legitimate demands of criminal investigative authorities and the need for protection of personal privacy can both be met. We call it FACT (Forensic Access Control Technology). The solution is based on asymmetrical encryption and authorisation for those authorities who need to be able to retrieve information from seized mobiles within the legal framework. Authorisation occurs via a physical smart card and can thus be controlled and revoked if necessary. The cost for implementation of FACT is low, and the ongoing war against crime and terrorism becomes more effective and highly precise. "The time is definitely ripe for a long-term, intelligent solution."

Giving up freedom and privacy to achieve safety and security is not an option, as Benjamin Franklin so clearly



pointed out. Instead, the quest for effective legal machinery is based on goal-oriented policing with effective tools and methodologies. MSAB currently works even more with strategic counselling and a product family that supports criminal investigations throughout the entire chain of custody: from extraction of digital information to compilation, analysis and presentation in the courtroom.

Our solutions do not just ensure that criminals get sentenced. The innocent can also quickly be dismissed from criminal investigations. This serves to boost public trust in our customers, and confidence in the capabilities of the police increases.

We will continue to pursue development energetically in order to provide our market with high tech tools. This will entail regional expansion and increasing our market share. At the same, we must be ready to refuse customers who do not meet basic requirements for human rights and freedoms.

Stockholm April 2016 Henrik Tjernberg Chairman of the Board



The share and shareholders

MSAB's B share is listed on Nasdaq Stockholm Small Cap under the ticker symbol MSAB B. On 31 December, 2015 the share stood at SEK 73.75 and market capitalisation was MSEK 1,323.

Share capital

Share capital as of 31 December, 2015 amounted to SEK 3,728,400 spread over 18,642,000 shares with a quote value of SEK 0.2. The Company has three classes of shares, of which shares from series A and B have equal rights to the Company's assets and profit, but where C shares do not entitle the holder to dividends. Every share of series A entitles the holder to ten votes, and every share of series B and C entitles the holder to one vote. The number of shares in series A and B is 1,000,000 and 17,020,000 respectively. The number of shares in series C is 622,000 all of which are held in treasury. Additionally, 81,596 B shares are held in treasury.

Ownership

The total number of shareholders on 31 December, 2015 was 2,798 compared with 2,111 the previous year. The ten largest shareholders in MSAB on 31 December, 2015 as recorded in Euroclear's share register are listed in the table on the following page.

Long-term incentive programme 2015-2018

On 6 May, 2015 MSAB's AGM decided to implement a long-term incentive programme for the Company's senior management and certain key persons with the exception of CEO Joel Bollö and CTO Örjan Gatu (no more than 20 persons total). Participants are invited to subscribe for share warrants at fair market compensation (as per the Black & Scholes model). These entitle the holder to subscribe for new B series shares in the Company during the period 1 June, 2018 up to and including 30 September, 2018 at a price equal to 130 percent of the average volume-weighted closing price for the Company's B series shares during the period 8 May up to and including 15 May, 2015. The maximum number of share warrants that any programme participant is offered shall not exceed 30.000.

Long-term incentive programme 2014-2017

An Extraordinary General Meeting (EGM) in 2014 decided on a long-term incentive programme for the Company's CEO and CTO. The first part of the programme consists of a gratuitous allotment of B shares worth MSEK 1.5 after income tax per respective participant. Additionally, it was decided that programme participants be invited to subscribe for 220,000 share warrants per participant at fair market compensation which would entitle the holder to subscribe for an equal number of the Company's series B shares during the period 1 January, 2016 up to and including 16 June, 2017. The subscription price was decided at 130 percent of the average volume-weighted price for the Company's B series shares for the five trading days occurring immediately prior to the 2014 EGM.

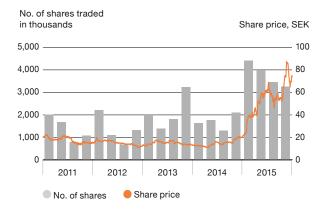
Share price trend

During the year, the share price fluctuated between SEK 20.2 and SEK 87.5 finishing at SEK 73.75 on the last trading day of the year. During the year, MSAB's share price increased 266.9 percent. During the same period, the Nasdaq Stockholm PI increased 6.4 percent and Nasdaq Stockholm Small Cap PI increased 4.8 percent. MSAB's market capitalisation at the end of the year was MSEK 1,322.9.

Dividend policy

The Board has adopted a dividend policy whereby at least 30 percent of the Company's reported profit shall be returned to shareholders if this is compatible with sustaining adequate liquidity necessary for planned operations.

Share price trend and volumes 2011-2015



Share price trend and volumes 2015



The ten largest shareholders as of 31 December 2015

Shareholder	Total no. shares	A shares	B shares	C shares	% of capital	% of votes
Henrik Tjernberg	920,522	900,000	20,522	0	4.94	32.63
Edastra AB	1,871,900	100,000	1,771,900	0	10.04	10.03
Swedbank Robur Ny teknik	1,462,304	0	1,462,304	0	7.84	5.29
Handelsbanken fonder AB RE JPMEL	1,412,260	0	1,412,260	0	7.58	5.11
Schretlen	1,082,336	0	1,082,336	0	5.81	3.92
DNB Sweden Micro Cap	894,623	0	894,623	0	4.80	3.24
Humle småbolagsfond	688,224	0	688,224	0	3.69	2.49
Örjan Gatu	546,383	0	546,383	0	2.93	1.98
Försäkr. bolaget Avanza pension	526,556	0	526,556	0	2.82	1.90
Nordnet Pensionsförsäkring AB	507,894	0	507,894	0	2.72	1.84
Totalt 10 största ägarna	9,913,002	1,000,000	8,913,002	0	53.17	68.43
Micro Systemation AB	703,596	0	81,596	622,000	3.77	2.55
Other	8,025,402		8,025,402		43.06	29.02
Total	18,642,000	1,000,000	17,020,000	622,000	100.00	100.00

Share capital events to year-end 2015

			Change in no. of	Total no.	Total no.	Total no.	Total no. outstanding	Quote	Change in share	Total share capital,
Year	Month	Transaction	shares	A shares	B shares	C shares	shares	value	capital, SEK	SEK
1984	June	Formation of Company		5,000			5,000	10		50,000
1998	February	Bonus issue 1:1	5,000	10,000			10,000	10	50,000	100,000
1998	November	Split 50:1	490,000	500,000			500,000	0.2		100,000
1998	November	New share issue	205,000	500,000	205,000		705,000	0.2	41,000	141,000
1998	December	Bonus issue		500,000	205,000		705,000	1	564,000	705,000
1999	March	Split 5:1	2,820,000	2,500,000	1,025,000		3,525,000	0.2		705,000
1999	March	Reclassification		1,970,000	1,555,000		3,525,000	0.2		705,000
1999	December	New share issue	705,000	1,970,000	2,260,000		4,230,000	0.2	141,000	846,000
2000	October	Conversion	200,000	1,970,000	2,460,000		4,430,000	0.2	40,000	886,000
2004	March	New share issue 3:1	13,290,000	1,970,000	15,750,000		17,720,000	0.2	2,658,000	3,544,000
2007	November	Reclassification		1,000,000	16,720,000		17,720,000	0.2		3,544,000
2011	June	New share issue	922,000	1,000,000	16,720,000	922,000	18,642,000	0.2	184,400	3,728,400
2014	June	Reclassification		1,000,000	17,020,000	622,000	18,642,000	0.2		3,728,400

Ownership structure, 31 December, 2015

Holdings	No. of shareholders	A shares	B shares	C shares	% of capital	% of votes
1–500	1,722	0	283,136	0	1.52	1.02
501-1,000	418	0	357,432	0	1.92	1.29
1,001-5,000	459	0	1,120,837	0	6.01	4.05
5,001-10,000	95	0	718,210	0	3.85	2.60
10,001–15,000	29	0	370,290	0	1.99	1.34
15,001-20,000	16	0	295,983	0	1.59	1.07
20,001-	59	1,000,000	13,874,112	622,000	83.12	88.62
Summa	2,798	1,000,000	17,020,000	622,000	100.00	100.00

Five-year overvievv

	2015	2014	2013	2012	2011
Profit and loss accounts, SEK thousands					
Net sales	226,912	180,971	137,532	136,636	130,111
Operating expenses	-170,460	-166,863	-129,618	-118,495	-100,059
Operating profit, EBIT	56,452	14,108	7,914	18,141	30,052
Net financial items	2,207	623	1,417	174	-159
Profit/loss before tax	58,659	14,731	9,331	18,315	29,893
Tax	-13,526	-4,347	-2,488	-3,942	-9,405
Profit/loss for the year	45,133	10,384	6,843	14,372	20,488
Balance sheet, SEK thousands					
Non-current assets	4,018	4,464	3,543	4,830	3,543
Other current receivables	52,038	56,431	40,780	51,836	32,396
Cash and cash equivalents	103,697	65,541	50,259	43,488	54,222
Total assets	159 753	126,436	94,582	100,154	90,161
Equity	90,851	63,232	48,230	52,706	56,699
Provisions	0	0	0	747	0
Other current liabilities	68,902	63,204	46,352	46,700	33,462
Total equity and liabilities	159,753	126,436	94,582	100,154	90,161
Cash flow, SEK thousands					
Cash flow before changes in working capital	46,804	22,968	2,037	16,082	20,831
Cash flow from changes in working capital	10,818	-8,218	15,773	-6,303	1,674
Cash flow from operating activities	57,622	14,750	17,810	9,779	22,505
Cash flow from investment activities	6,753	-565	-508	4,375	-11,752
Cash flow from financing activities	-17,462	-1,451	-10,632	-17,720	-14,176
Cash flow for the year	46,913	12,734	6,669	-3,566	-3,423
Key ratios					
Net sales, MSEK	226.9	181.0	137.5	136.6	130.1
Net sales growth, %	25.4	31.6	0.7	5.0	4.8
Operating profit/loss, MSEK	56.4	14.1	7.9	18.1	30.1
Operating margin, %	24.9	7.8	5.8	13.3	23.1
Earnings per share, SEK	2.52	0.58	0.39	0.81	1.16
Return on equity, %	58.6	18.6	13.6	26.3	38.8
Return on capital employed, %	84.0	30.8	20.1	37.0	59.7
Equity/assets ratio, %	56.9	50.0	51.0	52.6	62.9
Liquid ratio, %	216.5	181.7	183.4	194.9	249.9
Net worth per share, SEK	4.98	3.53	2.72	2.97	3.20
Dividend per share, SEK	1.00	0.10	0.60	1.00	0.80
Cash flow from operating activities per share, SEK	3.16	0.83	1.01	0.55	1.27

Definitions

Operating margin, %

Profit/loss before financial items as a percentage of net sales.

Earnings per share, SEK

Profit/loss after tax divided by the average number of diluted outstanding shares.

Return on equity, %

Net profit as a percentage of average equity.

Return on capital employed, %

EBIT including financial income as a percentage of average capital employed.

Equity/assets ratio, %

Equity as a percentage of total assets.

Liquidity ratio, %

Current assets minus goods for resale in relation to current liabilities.

Net asset value per share, SEK

Assets minus liabilities in relation to the number of outstanding shares.

Information to shareholders

Financial calendar 2016

The AGM will take place at Gällöfsta City's premises on Biblioteksgatan 29 in Stockholm, Tuesday, 10 May 2016 at 18.00.

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

Financial information

Annual reports, interim reports and other information communicated through press releases can be ordered from: Micro Systemation AB

Hornsbruksgatan 28, 117 34 Stockholm

Tel: +46 8 739 0270 Email info@msab.com Website: msab.com

Dividend

The Board proposes that the AGM approves a dividend of SEK 2.2 per share, or MSEK 40.4 in total.

The 2016 AGM

The AGM will take place at Gällöfsta City's premises on Biblioteksgatan 29 in Stockholm, 10 May at 18.00.

Right to participate

Shareholders in Micro Systemation AB (Publ), Corporate ID no. 556244-3050, who wish to participate at the AGM must be registered in Euroclear Sweden AB's shareholder register by 3 May, 2016 as per the following instructions.

Registration

Registration must have been received by the Company latest 3 May 2016, at 24:00, through one of the following channels:

- · via the form available at msab.com
- by telephone +46 8 402 9075, weekdays 9.00-16.00
- or by letter to the following address: Micro Systemation AB, AGM, Box 7835, SE-103 98 Stockholm.

A notice to participate received in any other manner will not be accepted. Notification of participation shall include name, personal ID or organisation number, address, and telephone number, as well as the name of any possible advisor who may attend. Proxy forms are available from the Company upon request and are also available from the Company's website www.msab.com. Proxy forms, certificates of registration and any other authorisation documentation should be provided to the Company at the address provided above latest 3 May, 2016 to facilitate entry to the AGM.

Shares registered through an equity manager

Shareholders with shares registered by their equity manager must, to be entitled to participate at the AGM, temporarily re-register their shares in their own name with Euroclear Sweden AB. Shareholders who wish to re-register their shares must advise their equity manager in good time and before 3 May, 2016 for the re-registration to be finalised in time.

Notice to convene the AGM

A notice to convene will be issued latest four weeks before the AGM in Post and Inrikes Tidningar and will also be available on the Company's website msab.com. Additionally, an advertisement will be placed in Svenska Dagbladet that the notice has been issued.

Shareholders may contact:

Joel Bollö

Chief Executive Officer Telephone: +46 (0) 8 39 02 70 Email: joel.bollo@msab.com

Report of the Directors

Operations

MSAB engages in product development, production, and sales and marketing of solutions within the area of mobile digital forensics. MSAB was founded in 1984. The B share has been noted since 1999 and noted on Nasdaq Stockholm since December 2011. The product XRY is used to extract and present data from digital devices, primarily mobile phones. In practical terms, this means that as much user-specific information as possible on a mobile phone or other digital device is transferred to a computer for further analysis. XAMN simultaneously analyses data from different digital devices in a sophisticated manner to identify links between the different devices. The Company also provides different designs for hardware configuration depending on the environment in which the customer finds himself. The products are used primarily by police, military and intelligence agencies world-wide, and are effective tools for securing evidence. The products are sold directly by the Company and via partners, depending on where in the world the sales take place. The products have been sold in over 100 countries and taken together they support over 16 thousand device profiles. The requirement to extract data from seized mobile phones is increasing continuously. Thus MSAB's products meet a major and meaningful need.

Significant events in 2015

- The Company implemented a new graphical profile and will henceforth be known as MSAB.
- Radio Tactics Ltd. appealed the European Patent Office's decision to revoke a previously granted patent.
- MSAB launched an updated version of XRY Kiosk.
- XRY Kiosk is designed to help users quickly confirm or refute suspicions.
- The Company received an order from the London Metropolitan Police for XRY Kiosk. The order was for 60 systems, and an associated training package in total worth just over MSEK 5.5.
- The Board of Directors will propose to the AGM a dividend of SEK 2.2 per share.

Significant events since year-end 2015

- The Company launched MSAB Ecosystem a holistic solution within mobile forensics. Together with the Company's unique file format, MSAB provides an entire platform of products and services that protect customers throughout the chain of custody.
- CFO Joachim Sandberg left the Company for an opportunity outside of the Group. Recruitment of a successor has begun.
- In March 2016, the CEO and the CTO exercised their respective share 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 increased its liquid assets by MSEK 7.8.

Profit/loss and financial position

	2015	2014	2013
Net sales, MSEK	226.9	181	137.5
Operating profit (EBIT), MSEK	56.4	14.1	7.9
Operating margin, %	24.9	7.8	5.8
Profit/loss before tax, MSEK	58.6	14.7	9.3
Balance sheet total, MSEK	159.8	126.4	94.6
Equity/assets ratio, %	56.9	50.0	51.0
Return on equity, %	58.6	18.6	13.6
Return on total capital, %	40.0	16.0	10.0
Average no. of employees	109	95	82

Comments on financial performance

Sales increased during the year from MSEK 181.0 to MSEK 226.9, which corresponds to an increase of 25.4 percent compared with 2014, or 12.4 percent adjusted for currency effects. Expenses for goods for resale increased 8.6 percent compared with last year. Other external costs amounted to MSEK 50.0 (56.7). The previous year was charged with costs attributable to prior judicial processes in the amount of MSEK 12.4. Personnel costs increased 9.5 percent, primarily due to an increase in the number of employees. Last year was charged with costs for the incentive programme in the amount of MSEK 9.2. The operating profit amounted to MSEK 56.4 (14.1), which corresponds to an operating margin of 24.9 (7.8) percent. Adjusted for currency effects, the operating margin was 20.1 (5.6) percent.

Research and development

At year-end 2015, the development department, together with the test and support department, consisted of a total of 55 persons. A large part of efforts within the development department are devoted to maintenance and to adding support for new types of mobile devices and applications. At the end of 2015, a total of over 16,000 devices were supported. The market for mobile phones is fast-paced with new functions and application areas being added constantly. Thus it is essential that the Company's products are continuously adapted to meet these conditions so we keep our competitive edge with criminal investigative authorities. During the past year, refinement of existing products continued and a new hardware configuration was developed. It is the Company's decision that all expenses attributable to development efforts should be expensed in their entirety as they occur. Costs for research and development amounted to MSEK 39.8 (31.7).

Financial position

Cash flow from operating activities for 2015 amounted to MSEK 57.6 (14.8). Total cash flow amounted to MSEK 47.0 (12.7) for the whole year. Adjusted for dividends to shareholders, total cash flow amounted to MSEK 64.9 (14.5). Cash and cash equivalents and short-term investments amounted to MSEK 103.7 (65.5).

MSAB's financial position remains strong with an equity/assets ratio of 56.9 (50.0) percent.

Parent Company

The Parent Company's sales for the period amounted to MSEK 169.1 (140.2), of which MSEK 93.8 (71.9) were conducted through the Company. EBIT for the period amounted to MSEK 48.3 (13.2). The previous year was charged with costs attributable to prior judicial processes in the amount of MSEK 12.4, and costs for incentive programmes in the amount of MSEK 9.2. Investments for the period amounted to MSEK 2.1 (0.6). There were 82 (78) employees in the Parent Company at year-end.

Financial risks and instruments

Through its business, MSAB is exposed to a variety of financial risks, such as market, liquidity, currency and credit risks. Market risks consist primarily of interest rate risk and currency risk. MSAB's Board of Directors is ultimately responsible for handling and monitoring of Group financial risks. The framework for handling and monitoring of financial risks is established by the Board of Directors. Note 4, Financial risk management and financial instruments, describes the financial risks to which the Group is exposed and risk management. Currency risk represents the most significant financial risk, while interest rate risk, liquidity and financing risk, as well as credit risk carry a lower risk factor. Currency risk results to a large extent from consolidated income from sales occurring in foreign currencies, while operating expenses are primarily paid in Swedish kronor. During 2015, the Group's export sales in foreign currencies amounted to approximately 96 (95) percent of total sales. Dominant currencies are the euro (EUR), the British pound (GBP), and the American dollar (USD). Other currencies include the Canadian dollar (CAD), the Australian dollar (AUD) and the Chinese Renminbi (CNY).

Personnel

The average number of employees was 109 (95), of which 28 (28) percent were women. At year-end, the number of employees was 111 (101).

Profit-sharing

In 2006, the Board of Directors launched a profit-sharing programme for all employees, but excluding the CEO and the CTO. The objective of the programme is to motivate, stimulate and reward employees for efforts which leads to an improvement in Company results. The Board is convinced that performance-based financial incentives create fertile ground for bringing about the best solutions and providing the best service to customers.

Incentive programmes

Long-term incentive programme 2014-2017

An Extraordinary General Meeting (EGM) in 2014 decided on a long-term incentive programme for the Company's CEO and CTO. The first part of the programme consists of a gratuitous allotment of B shares worth MSEK 1.5 after income tax per

respective participant. Additionally, it was decided that programme participants be invited to subscribe for 220,000 share warrants per participant at fair market compensation which would entitle the holder to subscribe for an equal number of the Company's series B shares during the period 1 January, 2016 up to and including 16 June, 2017. The subscription price was decided at 130 percent of the average volume-weighted price for the Company's B series shares for the five trading days occurring immediately prior to the 2014 EGM.

The programme is exempt from performance targets.

Long-term incentive programme 2015-2018

On 6 May, 2015, the AGM in MSAB approved implementation of a long-term incentive programme for the Company's senior position holders, excluding CEO Joel Bollö and CTO Örjan Gatu (maximum 20 persons) with the main conditions as follows:

Participants are invited to subscribe for share warrants at fair market compensation (as per the Black & Scholes model). These entitle the holder to subscribe for new B series shares in the Company during the period 1 June, 2018 up to and including 30 September, 2018 at a price equal to 130 percent of the average volume-weighted closing price for the Company's B series shares during the period 8 May up to and including 15 May, 2015. The maximum number of share warrants that any programme participant is offered shall not exceed 30,000.

Board of Directors and CEO

had ten meetings (documented in meeting minutes) in 2015. The Board is kept continually informed of Company developments between meetings. The Board acts in accordance with the formal work plan of the Board, the Distribution of tasks between the Board and CEO, and the Board's terms of reference to the CEO. At every meeting, information is presented on the finances, personnel, operations and competition. The work of the Board is described in the Corporate Governance Report which can be found on the Company's website (msab.com) and in this Annual Report on pages 45-47.

Proposal for guidelines for remuneration of senior position holders

Overall principles guiding remuneration to senior position holders are based on position, individual performance, consolidated profit, and that remuneration shall be competitive. Total remuneration to leading position holders shall consist of fixed salary and variable salary based on attainment of incentive-based performance targets. Additionally, there are conditions governing termination and severance pay. For additional information, see Note 8. Guidelines for the 2016 AGM are unchanged from last year.

The share

After the CEO's and CTO's subscription of a total of 440,000 new B shares in March 2016, share capital in MSAB is SEK 3,816,400 spread over 19,082,000 shares with a quote value of SEK 0.20.

The Company has three classes of shares, where shares of series A and B entitle the holder to equal rights to the Company's assets and profit, but where holders of C shares are not entitled to partake in dividends. In the event of Company liquidation, Company assets shall be distributed equally over all shares regardless of class. C shares, however, shall not afford the holder an amount higher than that corresponding to the share's quote value. Every share of series A entitles the holder to ten votes, and every share of series B and C entitles the holder to one vote. The number of shares in series A is 1,000,000 and in series B is 17.460.000. The number of shares in series C is 622.000 all of which are part of the Company's holdings. Of shares in the B series, 81,596 are held in treasury. At the AGM, shareholders have the right to vote for the full number of shares held without any restrictions on voting rights. Holders of A shares can by way of a written request to the Company's Board of Directors request that their A shares be converted to B shares. C shares held in treasury can by way of a Board decision be converted to B shares. The Board of Directors has the right to decide on reduction of share capital, though not to a point below the minimum capital stipulated in the Articles of Association, through redemption of all C shares.

Upon redemption, holders of C shares are obliged to accept a redemption price corresponding to the share's quote value. MSAB's Articles of Association contain a provision with regard to the record day, and the Company's shares are registered with Euroclear, which means that Euroclear administers the Company's share register and that no share certificates are issued for the Company's shares. All shares are denominated in Swedish kronor. In accordance with the Swedish Companies Act, shareholders have preferential rights to subscribe for new share issues and other equity securities, but these preferential rights can be waived at the discretion of the AGM.

Shares in MSAB are not subject to any offer made as a result of mandatory bids, redemption rights or redemption obligations. No public takeover bids for the Company's shares were made during the current or previous fiscal years. The Company has no knowledge of agreements between shareholders that could result in the restriction of transfer of shares. There are no specific rules in the Articles of Association governing the appointment or dismissal of Board members, or for amending the Articles of Association. There are no significant agreements to which the Company is a part, and which would come into effect, be amended or expire, if control of the Company changed as the result of a public takeover bid. There are no agreements between the Company and Board members or other employees which prescribe compensation for termination of employment as a result of a public takeover bid.

Significant risks and uncertainty factors

MSAB's success is to a great extent linked to its ability to recruit, develop, motivate and retain engineers and other qualified personnel. Within the IT branch there is fierce competition for qualified personnel. MSAB has a relatively small develop-

ment department and is thus dependent on a few key persons. Another potential risk is that any fault in the Company's products could lead to claims for compensation and damages. The Board is, however, of the opinion that the Company has sufficient insurance for product liability to limit any direct risk. Of total sales, 96 percent of the income is from sales in foreign currencies. In order to reduce the currency risk, MSAB utilises currency hedging in accordance with the financial policy established by the Board.

Proposal for profit distribution

Parent Company

The following amounts in SEK are at the AGM's disposal:

Profit brought forward from previous year	13,853,407
Profit for the year	39,371,430
Total	53,224,837
The Board and the CEO propose:	
a dividend of SEK 2.2 per share	40,432,489
carried forward	12,792,348
Total	53 224 837

Board's statement on proposed dividend pursuant to the Swedish Companies Act, Chapter 18, §4

On the basis of the Company's strong financial position, positive results and strong financial position, the Board has determined that the proposed dividend does not cause any substantial limitation on the Company's ability to make necessary investments or to meets its financial obligations in the short- or long-term. Neither does the proposed dividend have any significant impact on the Company's key financial figures. Against the background stated above, the Board finds that the proposal on a value transfer in the amount of SEK 40,432,489 is both carefully considered and justified. Further, the Board finds that the proposed dividend falls within the framework of the adopted dividend policy. As regards the Parent Company's and Group's earnings and financial position, please refer to the income statements and balance sheets, cash flow analyses and other supplemental information that follows. All amounts are expressed in SEK thousands unless otherwise stated.

The Group

Income statement		
Group, SEK thousands Note	2015	2014
Net sales 5	226,912	180,971
Operating income	226,912	180,971
Goods for resale	-20,194	-18,567
Other external costs 6,7	-49,967	-56,694
Personnel costs 8,9	-98,678	-90,076
Depreciation of fixed assets 14,15	-1,621	-1,526
Total operating cost	-170,460	-166,863
Operating profit - EBIT	56,452	14,108
Financial income 10	8,285	3,049
Financial costs 11	-6,078	-2,426
Net financial income/expense	2,207	623
Profit/loss before tax	58,659	14,731
_Tax12	-13,526	-4,347
Profit/loss for the year	45,133	10,384
Profit/loss for the year attributable to:		
Holders of shares in Parent Company	45,133	10 384
Holders with no controlling interests	-	-
Earnings per share before dilution, SEK 13	2,52	0,58
Earnings per share after dilution, SEK	2,48	0,58
Total no. outstanding shares before dilution, thousands	17,938	17,938
Total no. outstanding shares after dilution, thousands	18,231	17,938
Average no. outstanding shares before dilution, thousands	17,938	17,838
Average no. outstanding shares after dilution, thousands	18,231	17,838

Group, SEK thousands	2015	2014
Profit/loss for the year	45,133	10,384
Other comprehensive income:		
Foreign exchange differences	-589	4,228
Tax on foreign exchange differences	127	-712
tems to be reclassified to profit/loss:		
Cash flow hedges	525	-573
Tax on items in other comprehensive income	-115	126
Comprehensive income for the year	45,081	13,453
Comprehensive income for the year attributable to Parent Company shareholders	45,081	13,453

Balance sheet			
The Group, SEK thousands	Note	2015-12-31	2014-12-31
ASSETS			
Intangible assets	15	621	648
Inventory, equipment, and fixtures and fittings	14	2,670	1,936
Deferred tax assets	12	727	1,880
Total non-current assets		4,018	4,464
Finished goods and goods for resale		5,211	7,123
Trade receivables	17	42,296	44,035
Other current assets		756	1,910
Prepayments and accrued income	18	3,775	3,363
Other investments		-	9,080
Cash and cash equivalents	19	103,697	56,461
Total current assets		155,735	121,972
TOTAL ASSETS		159,753	126,436
EQUITY AND LIABILITIES			
Share capital	20	3,728	3,728
Other contributed capital		20,288	20,288
Reserves		1,156	1,208
Retained profit including the year's profit/loss		65,679	38,008
Total equity attributable to Parent Company's shareholders		90,851	63,232
Trade payables		4,961	12,669
Tax liabilities	12	1,382	2,032
Other liabilities		7,073	6,473
Accrued expenses and deferred income	21	55,486	42,030
Total current liabilities		68,902	63,204
TOTAL EQUITY AND LIABILITIES		159,753	126,436

Changes in equity						
Group, SEK thousands	Share capital	Other contri- buted capital	Translation reserve	Cash flow hedges	Retained earnings	Total equity
2014						
Opening balance, equity 2014-01-01	3,728	20,288	-1,923	62	26,075	48,230
Comprehensive income for the year			3,516	-447	10,384	13,453
Comprehensive income for the year	0	0	3,516	-447	10,384	13,453
Transactions with owners:						
Issuance of share warrants					321	321
Dividends					-1,772	-1,772
Incentive programme					3,000	3,000
Closing balance, equity 2014-12-31	3,728	20,288	1,593	-385	38,008	63,232
2015						
Opening balance, equity 2015-01-01	3,728	20,288	1,593	-385	38,008	63,232
Comprehensive income for the year			-462	410	45,133	45,081
Total profit/loss for the year	0	0	-462	410	45,133	45,081
Transactions with shareholders:						
Issuance of share warrants					476	476
Dividends					-17,938	-17,938
Closing balance, equity 2015-12-31	3,728	20,288	1,131	25	65,679	90,851

Cash flow analysis			
Group, SEK thousands	Note	2015	2014
Den löpande verksamheten			
Profit/loss before tax		58,659	14,730
Adjustments for items not included in cash flow	22	1,115	7,001
Paid income tax		-13,025	1,237
Cash flow from operating activities before changes in working capital		46,749	22,968
Cash flow from changes in working capital			
Changes in inventory		1,912	-1,077
Changes in operating liabilities/receivables		2,568	-24,405
Changes in operating liabilities		6,338	17,264
Cash flow from operating activities		57,567	14,750
Investing activities			
Investments in current assets		-2,273	-565
Divestment of funds		9,080	-
Cash flow from investment activities		6,807	-565
Financial activities			
Dividends paid		-17,938	-1,772
Issuance of share warrants		476	321
Cash flow from financing activities		-17,462	-1,451
Cash flow for the year		46,912	12,734
Cash and cash equivalents at the beginning of the year		56,461	41,228
Translation differences in cash and cash equivalents		324	2,499
Cash and cash equivalents at year-end	19	103,697	56,461

Parent Company

Income statement			
Parent Company, SEK thousands	Note	2015	2014
Net sales	5	169,146	140,246
Goods for resale		-20,065	-17,846
Other external expenses	6,7	-33,332	-40,916
Personnel expenses	8,9	-65,885	-66,908
Depreciation	14,15	-1,534	-1,425
Operating expenses		-120,816	-127,095
Operating profit/loss		48,330	13,151
Financial income	10	8,293	4,378
Financial costs	11	-6,076	-2,415
Net financial items		2,217	1,963
Profit/loss before tax		50,547	15,114
Tax	12	-11,175	-3,097
Profit/loss for the year		39,372	12,017

Statement of comprehensive income		
Parent Company, SEK thousands	2015	2014
Profit/loss after tax	39,372	12,017
Other comprehensive income:		
Cash flow hedges	525	-573
Tax on items in Other comprehensive income	-115	126
Total profit/loss for the year	39,782	11,570

Balance sheets			
Parent Company, SEK thousands	Note	2015-12-31	2014-12-31
ASSETS			
Intangible assets	15	621	648
Inventory, equipment, and fixtures and fittings	14	2,541	1,926
Shares in subsidiaries	16	7	7
Total non-current assets		3,169	2,581
Finished goods and goods for resale		5,211	7,123
Trade receivables	17	16,077	18,468
Intra-group receivables	17	12,424	15,319
Other receivables		611	1,854
Prepaid expenses and accrued income	18	3,429	3,235
Interest funds		0	9,080
Cash and cash equivalents		72,862	35,067
Total current assets		110,614	90,146
TOTAL ASSETS		113,783	92,727
EQUITY AND LIABILITIES			
Restricted equity			
Share capital	20	3,728	3,728
Statutory reserve		20,288	20,288
Non-restricted equity			
Cash flow hedges		18	-392
Profit/loss brought forward		13,836	19 281
Profit/loss for the year		39,371	12,017
Total equity		77,241	54,922
Trade payables		4,396	12,18
Intra-company liabilities		492	125
Tax liabilities	12	2,272	989
Other liabilities		3,774	3,410
Accrued expenses and deferred income	21	25,608	21,100
Total current liabilities		36,542	37,80
TOTAL EQUITY AND LIABILITIES		113,783	92,72
Pledged assets			
Pledge	24	1,718	1,718
Contingent liabilities		None	None

	Restricted	equity	Non-	restricted equity		
Parent Company, SEK thousands	Share capital	Statutory reserve	Cash flow hedges	Retained earnings	Profit for the year	Tota Equity
2014	Onaro Gapitar	1000110	nougoo	<u> </u>	ano you.	_quit,
Opening balance, equity 2014-01-01	3,728	20,288	55	8,580	9,152	41,80
Disposition of last year's profit	,	,		9,152	-9,152	, (
Profit for the year					12,017	12,017
Other comprehensive income	0	0	-447	0	0	-447
Comprehensive income for the year	0	0	-447	0	12,017	11,570
Transactions with owners:						
Issuance of share warrants				321		32
Dividends				-1,772		-1,772
Incentive programme				3,000		3,000
Closing balance, equity 2014-12-31	3,728	20,288	-392	19,281	12,017	54,922
2015						
Opening balance, equity 2015-01-01	3,728	20,288	-392	19,281	12,017	54,922
Disposition of last year's profit				12,017	-12,017	(
Profit for the year					39,371	39,371
Other comprehensive income	0	0	410	0	0	410
Comprehensive income for the year	0	0	410	0	39,371	39,781
Transactions with owners:						
Issuance of share warrants				476		476
Dividends				-17,938		-17,938
Closing balance, equity 2015-12-31	3,728	20,288	18	13,836	39,371	77,241
Cook flow analysis						
Cash flow analysis				N .	0045	004
Parent Company, SEK thousands				Note	2015	2014
Rating activities					E0 E 47	15 11
Profit/loss before tax	and flow			00	50,547	15,114
Adjustments for items not included in a	cash flow			22	1,481	4,376
Income tax paid Cash flow from operating activities b	oforo changes in	working canital			-9,892 42,136	3,448 22,93 8
	_	working capital			42,130	22,930
Cash flow from changes in working o	apital				1 010	4.070
Changes in inventory					1,912	-1,073
Changes in operating receivables					6,335	-20,318
Changes in operating liabilities Cash flow from operating activities					-2,137 48,246	7,219 8,76 6
					40,240	0,700
Financing activities					0.000	
Divestment of short-term investments					9,080	40-
Investments in non-current assets					-2,069	-437
Investments in subsidiaries Cash fow from investment activities					7,011	-11 ⁴
					7,011	-33
Financing activities					17.000	4 77/
Dividends paid					-17,938 476	-1,772
Issue of share warrants					476	321
Cash flow from financing activities					-17,462	-1,45 ⁻

37,795

35,067

72,862

19

6,764

28,303

35,067

Cash and cash equivalents at year-end

Cash flow for the year

Cash and cash equivalents at the the beginning of the year

Notes

Note 1 General information

Micro Systemation AB (publ) "MSAB", with Corporate ID no. 556244-3050, is a listed company registered in Sweden with head-quarters in Stockholm. The headquarters address is Box 17111, 104 62 Stockholm. The street address is Hornsbruksgatan 28. The Company and its subsidiaries ("the Group") engage in product development

and marketing of software solutions within the area of mobile digital forensics. Note 16 describes the Group's composition. MSAB's B share has been listed since 1999 and listed on Nasdaq Stockholm since December 2011.

Note 2 Critical accounting principles

The consolidated accounts for MSAB have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the interpretations of the IFRS Interpretations Committee (IFRIC) applicable for periods starting 1 January, 2015 or later. Furthermore, the Group complies with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups. In the consolidated accounts, items have been valued at historical cost, except for certain financial instruments which have been measured at fair value. Critical accounting policies applied are described below.

New and revised standards and interpretations applicable in 2015

New and revised standards and interpretations from IASB and IFRS have had no significant impact on the Group's financial reporting.

New and revised standards and interpretations not yet in force

New and revised standards and interpretations issued but not in force until 1 January, 2016, have not yet been applied by the Group. New and revised standards and interpretations which are assessed as having an impact on the the Group's financial reporting from first application are described below.

IFRS 15 Revenue from Contracts with Customers was issued on 28 May, 2014 and will replace IAS 18 Revenues and IAS 11 Customer Contracts. IFRS 15 is a model for revenue recognition for almost all revenues that arise from contracts with customers, with the exception of lease agreements, financial instruments, and insurance agreements. The basic principle for revenue recognition in IFRS 15 is that a company shall recognise revenue in a way that reflects the transfer of promised goods or service to the customer, in the amount that the company considers itself entitled to receive in exchange for the goods or service. Revenue is recognised when the customer obtains control over the goods or service. IFRS 15 is applicable for the accounting year commencing on or after 1 January, 2018 with earlier application allowed. IFRS 15 has not yet been adopted by the EU.

IFRS 16 Leases issued 13 January, 2016 replaces IAS 17 Leases. IFRS 16 introduces a "right of use model" and implications for the lessee are that virtually all leases shall be recognised in the balance sheets. Therefore, classification of leases as operational or financial is not necessary. Exceptions are made for leases with a term of 12 months or less and leases of lesser value. Depreciation of assets and interest expenses for liabilities are recognised in the Income Statement. The standard requires more comprehensive disclosure compared with the current standard. For lessors, IFRS 16 carries no significant differences compared with IAS 17. IFRS 16 is applicable for the accounting year commencing on or after 1 January, 2019, with earlier application allowed provided that IFRS 15 is applied simultaneously. The standard has not yet been adopted by the EU.

IFRS 9 Financial Instruments issued on 24 July, 2014 will replace IAS 39 Classification. The standard has been released in phases, where the

version released in July 2014 replaces all prior versions. The standard contains new requirements for classification and measurement of financial instruments, for de-recognition, impairment and general regulations for hedge accounting. The standard is obligatory for periods commencing on or after 1 January, 2018, and is not yet adopted by the EU.

Company management has not yet conducted a detailed analysis of the impact of applying IFRS 15, IFRS 16 and IFRS 9 is therefore unable to quantify the effects. It is Company management's assessment that other new and revised standards and interpretations which are not yet in effect will not have any signficant impact on the Group's financial reporting when they are applied for the first time.

Consolidated reporting

Consolidated reporting consists of reporting for the Parent Company and those companies where the Parent Company has a controlling influence (subsidiaries). The Group has controlling influence over a company when it is exposed to, or has the right to, variable returns from its investment in the company, and when it can use its influence to affect the size of the returns. Normally, controlling influence exists when the parent company directly or indirectly holds more than 50 percent of the votes in another company. Controlling influence can also be exercised in other ways than through shareholdings. The results for subsidiaries acquired or disposed of during the year are included in the consolidated income statement from, and up to, the date the transaction takes place, i.e. when the controlling influence commences or terminates respectively. In the case where accounting policies applied in subsidiaries deviate from those applied within the Group, the subsidiary's accounting is adjusted to ensure consistency with other Group companies. Internal transactions and intra-Group dealings are eliminated in the prepration of the consolidated accounts. Minority interest is the portion of earnings and net assets in a partly-owned company held by other owners. The minority share of earnings are included in the consolidated profit/loss after tax. The portion of net assets is included in equity in the consolidated balance sheet but reported separately from equity attributable to the Parent Company's shareholders.

Business combinations

Business combinations are recognised in accordance with the acquisition method. The cost of acquisition is measured on the date of the transaction as an aggregate of the fair value of assets, incurred or assumed liabilities, and equity instruments issued by the acquirerer in exchange for controlling interest in the acquired business. Acquisition-related expenses are recognised in the income statement as they occur. Acquired identifiable assets, liabilities and contingent liabilities are measured at fair values on the date of acquisition. If the cost for acquisition of the acquired parts exceeds the total fair value of acquired, identifiable assets, liabilities, and contingent liabilities, then the difference is recognised as goodwill. If the cost for acquisition is lower than the fair value as calculated above, then the difference is recognised directly in the income statement. Minority interests are recognised by stating the minority shareholders' proportion of

Note 2 Cont.

recognised fair value of assets, liabilities and contingent liabilities. Upon acquisition of minority interests, any differences between the cost of acquisition of the acquired parts and the fair value of acquired, identifiable assets and liabilities is recognised directly against equity.

Revenues

Revenues are recognised at fair value of compensation received, or which will be received, less VAT, estimated customer returns, rebates and similar allowances.

Goods - products/licenses

Revenues from sales of products and licenses are recognised when all of the following conditions are met:

- The Group has transferred to the purchaser all significant risks and rewards associated with ownership of the goods.
- The Group does not retain any obligations in the ongoing management usually associated with ownership and the Group does not exercise any real control over goods sold.
- · The revenue can be reliably calculated.
- It is probable that the economic benefits associated with the transaction will flow to the Group.
- Costs incurred, real or expected as a result of the transaction, can be reliably calculated.

These conditions are considered met when a sales agreement has been entered into, delivery has taken place, the price is fixed, payment is probable and there are no outstanding obligations.

Services

Revenues from training are recognised as revenue in the period in which the service was performed.

Sales agreement with multiple parts

MSAB's sales consist of an integrated package where customers buy products through a license which gives them unlimited rights to use the products. Additionally, MSAB also offers a time-limited service for support and product updates, i.e. a sales transaction which contains multiple parts. MSAB receives full payment after delivery of the Company's products and at the same time transfers all risks and rewards associated with ownership to the purchaser. MSAB recognises revenues from sales of products in fair value amounts for each respective product in relation to the sales transaction as a whole. Revenues from support and product uppdate agreement parts that correspond to fair value of that part relative to the sales transaction as a whole, are recognised as income when the service is performed, usually on a straight-line basis over the agreement period. If the sales transaction includes a discount, this is also spread over the different parts in a way that reflects the fair value of the parts.

Dividends and income from interest

Dividends are reported when shareholders' right to receive payment has been established. Interest income is recognised over the term using the effective interest method. Effective interest is that interest which renders the present value of all future receipts and payments during the fixed interest term equal to the reported value of the receivable.

Government grants received

Government grants received are recognised in the income statement and allocated in the same way as the expenses they are intended to compensate. Government support attributable to operating expenses reduces these expenses.

Leases

A financial lease is an agreement under which the financial risks and rewards associated with ownership of an object are essentially transferred from the leasor to the lessee. Other leases are classified as operational leases.

The Group as lessee

Assets held under financial leases are recognised as non-current assets in the consolidated balance sheet at fair value as of the commencement date of the lease period or at the current value of the minimum leasing fee if this is lower. The corresponding liability to the lessor is recognised in the balance sheet as a financial lease liability. Lease payments are allocated between interest and amortisation of the liability. Interest is allocated over the lease period so that every accounting period is charged in an amount corresponding to a fixed interest rate for the respective period of the recognised liability. Interest expense is recognised directly in the income statement. If interest expenses are directly attributable to acquisition of an asset which requires a substantial amount of time to be prepared for utilisation or sale, then the interest expense shall instead be included in the asset's acquisition cost in accordance with the Group's policies for loan expenses (see below). Lease fees related to operational leases are charged on a straight-line basis over the term of the lease, unless another systematic approach better reflects the user's financial benefit over time.

Foreign currencies

Items included in the financial statements for the various entities within the Group are recognised in the currency used in the primary financial environment where the respective entity primarily conducts its operations (functional currency). In the consolidated financial statements, all amounts are translated to Swedish kronor (SEK), which is the Parent Company's functional currency and reporting currency. Transactions in foreign currencies are translated into the functional currency in each respective entity using the exchange rates prevailing on the transaction date. On every closing date, monetary items in foreign currencies are recalculated using the prevailing exchange rate of the closing date. Non-monetary items that are measured in fair value in a foreign currency are translated at the exchange rate of the date when the fair value was established. Non-monetary items measured at cost in a foreign currency are not translated. Foreign exchange differences are recognised in the income statement in the period in which they occur, except for transactions that consititute hedges which meet the conditions for hedge accounting for cash flow or for net investment, where profit and loss are recognised in other comprehensive income. When preparing the consolidated financial statements, the assets and liabilities of foreign subsidiaries are translated to Swedish kronor at the exchange rate of the closing date. Revenue and expense items are translated using the period's average exchange rate, unless exchange rates fluctuated significantly during the period, in which case the exchange rate of the transaction date is used instead. Any translation differences are recognised in equity and in other comprehensive income. When a foreign subsidiary is disposed of, translation differences are recognised in the income statement as a part of capital gains. Goodwill and adjustments to fair value which arise upon acquisition of a foreign operation are treated as assets and liabilties in the foreign operation itself and translated at the exchange rate on the closing date.

Employee remuneration

Remuneration to employees in the form of salaries, paid sick leave, etc., as well as pensions, are recognised as earned. Pensions and other post-employment benefits are classified as defined contribution or defined benefit pension plans.

Profit-sharing

The Group recognises the expected cost of profit-sharing payments when the Company has a legal or informal obligation to make such payments due to prior events, and can reliably estimate this obligation. The Group recognises a liability and cost for profit-sharing based on 5 percent of consolidated profit before tax. Profit-sharing payments are due within 12 months after the end of the period in which the employees perform the services, and is therefore recognised as a current liability.

Incentive programme

Share-related remuneration is regulated through measurement of

the equity instrument at fair value at the date of issuance. The fair values established at the time of issuance are charged in the income statement. The cost of distributed rights is recognised as a personnel expense in the income statement and in equity. Payment of social fees is recognised as a personnel expense in the income statement and as a liability in the balance sheets.

Defined contribution pension plans

There are only defined contribution pension plans at MSAB. MSAB pays fixed fees for these to a separate and independent legal entity. The Group is under no obligation to pay additional fees. The consolidated profit/loss is charged for expenses as the benefits are earned, which normally coincides with the point in time when the premium is paid.

Taxes

Tax expense is the aggregate of current and deferred taxes.

Current tax

Current tax is calculated on the taxable profit for the period. Taxable income differs from the reported profit/loss in the income statement in that it has been adjusted for non-taxable income and non-deductible expenses, as well as for revenue and expenses that are taxable or deductible from other periods. The Group's current tax liability is calculated in accordance with tax rates enacted or substantively enacted as of the closing date.

Deferred tax

Deferred tax is the difference between the carrying value of assets and liabilities in the financial statements and the tax base used in the computation of taxable income. Deferred tax is reported in accordance with the balance sheet method. In principle, deferred tax liabilities are recognised for all taxable temporary differences, and deferred tax assets are recognised for all deductible temporary differences to that extent that the amount is likely to be used against future taxable profit. Deferred tax liabilities and assets are not recognised if the temporary difference is attributable to goodwill or if it occurs as a result of a transaction that is the initial recognition of an asset or liability (which is not a business combination), and which, at the time of the transaction, affects neither recognised nor taxable profit. Deferred tax liabilities are recognised for taxable temporary differences attributable to investments in subsidiaries and associated companies, except in those cases where the Group can control the timing of the reversal of the temporary differences, and it is likely that such reversals will not take place in the foreseeable future. Deferred tax assets attributable to deductible, temporary differences for such investments and interests are only recognised to the extent that the amount can be used against future taxable profit, and such use is likely to occur within the foreseeable future. The carrying amount of deferred taxes assets is reviewed at every balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to be used, in whole or part, to offset the deferred tax asset. Deferred tax is calculated at the tax rates expected to apply for the period when the asset is recovered or the liability is settled, based on the tax rates (and tax laws) rates enacted or substantively enacted as of the closing date. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same authorities and where the Group intends to settle the tax by a net amount.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or revenue in the income statement, except when the tax is attributable to transactions that are recognised directly in equity. In such cases, the tax is also recognised in equity. If the tax is attributable to a business acquisition or merger, the tax effect is taken into account when calculating good-will or when determining the size of the amount of any excess amount that arises if the fair value of the acquired share of the acquiree's identifiable assets, liabilities and contingent liabilities exceed the cost of the business combination.

Tangible assets

Tangible assets are stated at historical cost less allowance for accumulated depreciation and any impairments. Cost includes the purchase price, costs directly attributable to the acquisition, and expenses for preparation of the asset until it is ready to be brought into service. Subsequent costs are only included in the asset or recognised as a separate asset when it is probable that future economic benefits attributable to the item will flow to the Group and the cost of same can be measured reliably. All other costs for repairs, maintenance, and any additional expenses are recognised in the income statement in the period in which they occur. Depreciation of material assets are expensed so that the asset's value less estimated residual value at end of useful life are amortised on a straight-line basis which is estimated at:

Inventory, equipment, fixtures and fittings

5 years

Intangible assets

Intangible assets are stated at historical cost less allowance for accumulated depreciation and any impairments. Cost includes the purchase price, costs directly attributable to the acquisition, and expenses for preparation of the asset until it is ready to be brought into service. Subsequent costs are only included in the asset or recognised as a separate asset, when it is probable that future economic benefits attributable to the item will flow to the Group, and the cost of same can be reliably measured. All other costs for repairs, maintenance, and any other expenses are recognised in the income statement in the period in which they occur. Depreciation of intangible assets are expensed so that the asset's value less estimated residual value at end of useful life are amortised on a straight-line basis which is estimated at:

Intangible assets

5 years

Assets held under financial leases are depreciated over the asset's estimated useful life as described above or over the term of the lease if this is shorter. Gains or losses which arise when intangible assets are retired or disposed of represent the difference between what is received for the asset and its carrying value and recognised in operating profit.

Research and development

Expenses for research and development are expensed as they occur. Expenses which occur in development projects are recognised as intangible assets when the following criteria are met:

- It is technically possible for the Company to complete the intangible asset so that it can be utilised.
- Management intends to complete the intangible asset and use or sell it.
- The conditions necessary to use or sell the intangible asset are in place.
- It can be demonstrated how the intangible asset will likely generate future financial benefits.
- There are adequate technical, financial, and other resources to complete development and to use or sell the intangible asset.
- The expenditures attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these conditions are recognised as they occur. Development expenditures previously recognised as a cost are not recognised as an asset in the subsequent period. Capitalised development costs are recognised as intangible assets and amortised from that point in time when the asset is ready for use on a straight-line basis over the period of useful life.

Inventory

Inventory is stated at the lowest cost or net sales value. Cost is determined using the first-in, first-out method (FIFO). The cost of finished goods consists of raw materials and direct labour costs. Net sales value is the estimated sales price in the ordinary course of business, less applicable variable sales expenses. No part of inventory has been pledged as collateral for loans or other liabilities.

Note 2 Cont.

Financial instruments

A financial asset or liability is recognised in the balance sheet when the Company becomes party to the instrument's contractual terms and conditions. A financial asset is de-recognised from the balance sheet when the contractual rights are realised, when it matures, or when the Company loses control over it. A financial liability is de-recognised from the balance sheet when the contractual obligation is fulfilled or otherwise extinguished. At each balance sheet date, the Company assesses whether there are any objective indications that a financial asset or a group of financial assets are impaired due to past events. Financial instruments are recognised at amortised cost or fair value, depending on the initial categorisation pursuant to IAS 39.

Fair value of financial instruments

For financial assets and financial liabilities, fair value is determined as follows:

- Fair value for financial assets and liabilities with standard conditions and which are traded on an active market is determined by reference to quoted market prices.
- Fair value for other financial assets and liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analyses using data taken from observable, current market transactions. For all financial assets and liabilities, recognised value is considered to be a good approximation of fair value, unless otherwise noted.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and recognised in a net amount in the balance sheet when there is a legally enforceable right to offset, and where there is an intention to settle items on a net basis or to realise the asset and settle the liability.

Cash and cash equivalents

Cash and cash equivalents include cash and bank deposits, and other current, liquid investments which are easily converted to cash and which are subject to an insignificant risk of value change. To classify as a cash equivalent, maturity shall not exceed three months from the time of acquisition. Cash and bank balances are categorised as "Loans and trade receivables" which are measured at amortised cost. Because bank balances are payable free on demand, the amortised cost corresponds to the nominal amount. Short-term investments are categorised as "held for trading" and measured at fair value with value changes recognised in the income statement.

Trade receivables

Trade receivables are categorised under "Loans and trade receivables" and are measured at amortised cost. The expected duration of trade receivables is, however, short. Hence recognition is at the nominal amount without discounting. Deductions are made for receivables which are considered unsafe. Impairment of trade receivables is recognised in operating costs.

Trade payables

Trade payables are categorised under "Other financial liabilities" and are measured at amortised cost. The expected duration of trade payables is, however, short. Hence recognition is at the nominal amount without discounting.

Derivative instruments and Fixed income funds

Currency futures are recognised in the balance sheet on the contract date and measured at fair value, both initially and in subsequent revaluations. MSAB applies hedge accounting in accordance with the provisions of IAS 39. Derivative instruments are categorised as "Derivatives for hedging" and classified as a current asset or liability in the balance sheet. Gains or losses arising from revaluation are recognised in other comprehensive income. Fixed income funds are categorised as "Held for trading" and measured at fair value both initially and in subsequent revaluations. The balance sheet item is classified as "Fixed income funds". Gains or losses arising from revaluation are recognised immediately in the income statement as financial income or financial expenses respectively.

Accounting policies for the Parent Company

The Parent Company complies with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. Application of RFR 2 means that to the extent possible, the Parent Company shall apply all IFRS adopted by the EU within the framework for the Swedish Annual Accounts Act and the Safeguarding Act, and take into account the relationship between reporting and taxation. Differences between the accounting policies of the Parent Company and Group are described below:

Revised accounting policies

Revisions to RFR 2 Accounting for Legal Entities which entered into force for accounting year 2015 have not had any significant impact on the Parent Company's accounting. Of those revisions to RFR 2 which have not yet entered into force, it is the Company's assessment that these will not have any impact on the Parent Company's financial position or profit/loss.

Shares in subsidiaries

Shares in subsidiaries are recognised in accordance with the cost method. Acquisition-related costs for subsidiaries which are expensed in the consolidated financial statements are included as a part of the cost for shares in the subsidiary. The recognised value of shares in subsidiaries is tested for impairment when there are indications that the need for impairment exists.

Leases

All leases in the Parent Company are recognised in accordance with the regulations for operational leases.

Note 3 Estimates and assumptions in the financial statements

Preparing financial statements to conform with IFRS requires that Company management make certain estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and costs. The actual results may differ from these estimates and assumptions. Estimates and assumptions are reviewed regularly.

Changes in estimates are recognised in the period when a change is made if the change only affects this period, or in the period the change is made and future periods if the change affects both current and future periods. At the end of the period, special consideration is given to valuation of trade receivables which are considered the single most important item of the Company's assets.

Note 4 Financial risk management and financial instruments

The overall objective of MSAB's financial risk management is to identify and control the Group's financial risks. MSAB's Board of Directors is ultimately responsible for exposure, management and monitoring of the Group's financial risks. The framework which applies to exposure, management and monitoring of financial risks is established by the Board. The most significant financial risks to which the Group is exposed are marketing, liquidity and credit risks. Market risk consist primarily of currency risk and interest rate risk.

Market risk

Currency risk

Currency risk refers to the risk that the consolidated profit/loss and equity will be negatively impacted by changes in exchange rates. Exposure to currency risk derives from the flow of payments (transaction exposure) in foreign currencies and from translation of balance sheet items in foreign currencies, and translation of foreign subsidiary's income statements and balance sheets to the Group's presentation currency of Swedish kronor (translation exposure).

Transaction exposure

Transaction exposure occurs as a result of MSAB's export sales. Of the Group's total sales in 2015, approximately 96 (95) percent were export sales and sales through foreign subsidiaries in foreign currencies. Inflows of foreign currencies consist primarily of euros (EUR), British pounds (GBP) and American dollars (USD). The lion's share of goods and services purchased are in Swedish kronor (SEK). Net exposure in relation to the inflow of payments in foreign currencies is thus esential. MSAB applies hedge accounting and uses forward contracts on an on-going basis in order to minimise major currency fluctuations.

Translation exposure

Translation exposure occurs primarily when translating asset and liability posts in foreign currencies, as well as income statements and balance sheets for foreign subsidiaries, to SEK. Currency fluctuations can have a negative effect on consolidated equity and profit/loss. The table below shows the Group's and Parent Company's net currency exposure on closing day (foreign currencies are translated to SEK thousands in the table):

	Gr	Group		Company
Market risk Currency	2015	2014	2015	2014
AUD	724	1,039	737	768
CAD	418	813	226	552
EUR	14,643	14,201	14,643	14,201
GBP	7,725	3,389	7,687	3,592
HKD	0	0	2,346	1,491
USD	17,822	20,492	1,896	9,082
Total trade receivables in foreign currency	41,331	39,934	27,536	29,686
SEK	965	4,101	965	4,101
Total trade receivables	42,296	44,035	28,501	33,787

A change of +/- 5 percent in relevant exchange rates relative to Swedish kronor would entail an impact on the profit/loss amounting to +/- SEK 2,067 (1,997) thousand for the Group and +/- SEK 1,377 (1,483) thousand for the Parent Company on closing day.

Interest rate risk

Interest rate risk refers to the risk for a negative impact on the consolidated income statement and cash flow due to changes in market interest rates. MSAB has no interest-bearing liabilities and interest rate risk is primarily limited to the Group excess liquidity, which is placed in interest-bearing bank accounts and in other interest-bearing investments. Excess liquidity shall be invested at a low risk with short, fixed interest rate terms, as stipulated in the Board's instructions. Hence, the Group has chosen to place excess liquidity in different bank accounts, primarily in SEB, and in funds with a risk level consistent with established financial policy.

Liquidity and financing risk

Liduidity risk refers to the risk that the Group is impacted negatively by inadequate handling and control of liquidity and cash flows. Financing risk refers to the risk that the Group cannot raise enough cash to meet its obligations. Liquidity and financing risk is currently very low. The Group has very good liquidity and a high earnings capacity. Group excess liquidity is placed in bank accounts. Liquidity preparedness is thus high, and there is currently no need for external credit to finance operations or to create liquidity. The duration and distribution of contractual payment obligations related to the Group and the Parent Company's financial liabilities are listed in the table below:

			Group				Par	ent Compa	any	
Liquidity and Financing risk SEK thousands	Within 3 months	3-12 months	1-5 years	Over 5 years	Total	Within 3 months	3–12 mån	1-5 years	Over 5 years	Total
Trade payables	4,961	-	-	-	4,961	4,888	-	-	-	4,888
Other liabilities	7,073	-	_	-	7,073	3,773	-	_	-	3,773
Total	12,034	_	_	_	12,034	8,661	_	_	_	8,661

Credit risk

Credit risk refers to a counterparty not being able to meet their contractual obligations as they relate to the Group resulting in a financial loss. The Group's exposure to credit risk derives primarily from trade receivables. Sales of MSAB's products are conducted either directly to the end customer or via partners. End customers are almost exclu-

sively criminal investigative authorities and to a lesser extent private companies. Credit risk is assessed as low in the majority of business transactions. In order to limit the Group's exposure to credit risk, a credit rating is conducted on every new customer. The financial situation of existing customers is also monitored on an on-going basis so

Note 4 Cont.

as to identify warning signals at an early stage. A credit rating is always performed before the company enters into new sales partnerships, after which the financial situation of sales partners is monitored on an on-going basis so as to identify warning signals. The Group may also establish credit limits for partners or require bank guarantees for larger contracts. In order to further minimise credit risk, the Group can also choose to invoice an end customer directly, and instead allow the sales partner to invoice MSAB for their commission. The Group also has well-developed procedures for handling overdue trade receivables at a very early stage. The Group's actual losses for bad debts for accounting year 2015 are

listed in Note 17. Credit risk also occurs when the company's excess liquidity is invested in various types of financial instruments. According to the Board's instructions, excess liquidity is placed in interest-bearing bank accounts or in interest-bearing securities/fixed income funds. The Swedish state and banks are eligible counter-parties. The Group's lending to banks is covered by the Swedish state's deposit guarantee, which covers up to SEK 500 thousand per bank. The Group's and Parent Company's maximum exposure to credit risk corresponds to the the booked value of all financial assets and is listed in the table below.

	Gro	oup	Parent Company		
Credit risk, SEK thousands	2015	2014	2015	2014	
Trade receivables	42,296	44,035	28,501	33,787	
Other receivables	756	1,910	611	1,854	
Equity	103,697	56,461	72,862	35,067	
Funds	0	9,080	0	9,080	
Maximum exposure for credit risk	146,749	111,486	101,974	79,788	

Concentration risk

Trade receivables are concentrated primarily to a smaller number of major customers with a high credit rating. The ten largest customers accounted for 27 (32) percent of total revenue. Approximately 39 (34) percent of the Group's sales occur on the European market, of which the United Kingdom represents the single largest geographic exposure. North America accounts for 41 (42) percent of sales. The majority of the Company's customers are active within the judicial system. The purchasing process can differ from country to country where some negotiations may be conducted centrally while in others decisionmaking takes place at the local level. Similarly, procurement can originate from within certain branches of the military. In these cases, customers can be referred to purchasing companies where procurement is centralised, which means that for a given period, this purchasing company can account for a relatively large proportion of the Company's net sales, a turnover which often consists of several different customers. Procurement through purchasing companies is on-going and varies from year to year. In practice, this means that in any given year purchasing companies can account for more than 10 percent of MSAB's net sales. During 2015, no one customer accounted for 10 percent or more of the Company's consolidated net sales.

In Note 17 Trade receivables, there is an age analysis of the Group's and the Parent Company's trade receivables.

Management of capital risk

MSAB defines its managed capital as the aggregate of consolidated net liabilities and equity. Because the Group currently has no loans, managed capital and consolidated equity are the same. At year-end 2015, consolidated equity amounted to SEK 90,851 (63,232) thousand. The Company's objective with regard to its capital structure is to secure its ability to sustain operations and generate returns for shareholders and other stakeholders, and that the capital structure is optimal as regards cost of capital. Shareholder dividends, redemption of shares, or sale of assets are examples of measures the Group can take to adjust capital struture. The Board has adopted a dividend policy whereby at least 30 percent of the Company's reported earnings shall be returned to shareholders given that this is compatible with maintenance of an adequate amount of liquidity for planned operations.

Categorisation of financial instruments

Booked values of financial assets and liabilities by valuation category in accordance with IAS 39 are shown in the table below:

	Group		Parent Company		
Categorisation of financial instruments SEK thousands	2015	2014	2015	2014	
FINANCIAL ASSETS					
Loans and trade receivables					
Trade receivables	42,296	44,035	28,501	33,787	
Cash and cash equivalents	103,697	56,461	72,862	35,067	
Assets measured at fair value and held for trading					
Fixed income funds	-	9,080	-	9,080	
Currency derivatives	32	-	32	_	
TOTAL FINANCIAL ASSETS	146,025	109,576	101,395	77,934	
FINANCIAL LIABILITIES					
Other financial liabilities					
Trade payables	4,961	12,669	4,888	12,306	
Held for trading					
Currency derivatives	_	493	_	493	
TOTAL FINANCIAL LIABILITIES	4,961	13,162	4,888	12,799	

There were no reclassifications between valuation categories during the period.

For financial assets and liabilities with short maturities, the reported values are a reasonable estimate of fair value.

Note 4 Cont.

Fair value measurement

Measurement of fair value takes place according to a valuation hierarcy consisting of three levels. The levels reflect the extent to which fair value is based on observable market data and internal assumptions. Below is a description of the different levels for establishing fair values for financial instruments that are recognised at fair value.

Level 1 – Fair value is determined based on observable (unadjusted), quoted prices on active markets for identifical assets and liabilities.

Level 2 – Fair value is determined through valuation models based on observable data for the asset or liability other than the quoted prices included in Level 1.

Level 3 – Fair value is determined through valuation models where significant inputs are based on non-observable data. MSAB only has assets and liabilities with fair value measures belonging to Levels 1 and 2. These assets and liabilities are specified by level below:

	Gro	Group		Parent Company	
Fair value measurement SEK thousands	2015	2014	2015	2014	
Level 1					
Financial assets					
Fixed income funds	-	9,080	-	9,080	
Total	-	9,080	-	9,080	
Level 2					
Financial assets					
Currency derivatives	32	-	32	-	
Total	32	-	32	-	
Financial liabilities					
Currency derivatives	_	493	_	493	
Total	-	493	_	493	

	Group		Parent Company	
Net profit/loss for each category of financial instrument SEK thousands	2015	2014	2015	2014
Loans and trade receivables				
Currency gains	-139	505	-139	469
Currency losses	-141	-529	-130	-479
Other financial liabilities				
Currency gains	7,817	2,940	7,817	2,940
Currency losses	-6,064	-2,412	-6,064	-2,412
Held for trading				
Fixed income funds	_	49	_	49
Total	1,473	553	1,484	567

Note 5 Operating income

	Grou	Group		mpany
SEK thousands	2015	2014	2015	2014
Sales of goods	208,335	166,408	163,333	134,218
Sales of services	18,577	14,563	5,813	6,028
Total	226,912	180,971	169,146	140,246
Geografic information				
EMEA & Latin America*	104,821	84,618	90,474	74,582
Asia & CIS	28,277	19,476	20,981	16,532
North America	93,814	76,877	57,690	49,132
Total	226,912	180,971	169,146	140,246
*Of which Sweden	5,311	4,809	5,311	4,809

Distribution of the Group's fixed assets

The distribution of the Group's fixed assets is as follows: EMEA & Latin America SEK 3,169 (2,581) thousand; Asia & CIS SEK 0 (0) thousand; and North America SEK 128 (9) thousand.

Information on intra-Group purchasing and sales

Purchasing and sales from the Parent Company to other Group companies amounted to SEK 93,773 (71,878) thousand in sales and SEK 0 (0) thousand in purchasing.

Currency exposure

Of the total consolidated net sales, SEK -139 (505) thousand related to foreign exchange differences, which is attributable to translation of

trade receivables. Profit was impacted by the net profit from financial instruments in the amount of SEK 1,473 (553) thousand, as described in Note 4.

Segment reporting

The Company sells and markets a small number of products, which are for the most part packaged and sold to the same customers. The Company's operations and management are organised by function, e.g., development, support, sales and administration, and the Company's internal monitoring is currently at the aggregate level only. Monitoring of geographic areas is only done for sales in respective countries or regions. In light of the above, the Group recognises no operating segments in the financial statements.

Note 6 Disclosure of auditor's fees and expenses

	Gr	Group		Company
SEK thousands	2015	2014	2015	2014
Auditing services, Deloitte	284	214	284	214
Other audit assignments, Deloitte	3	29	3	29
Tax consultancy, Deloitte	20	6	20	6
Auditing services, other	71	34	_	_
Total	378	283	307	249

Note 7 Operational Leases

The year's cost for operational leases related to vehicles and rent and amounted to SEK 5,638 (5,440) thousand for the Group and SEK 4,828 (5,087) thousand for the Parent Company. At balance sheet date, the

Group had outstanding commitments for non-cancellable operational leases due for settlement as follows:

	Gro	Group		Parent Company	
SEK thousands	2015	2014	2015	2014	
Within one year	6,779	4,087	6,779	4,087	
Within two to five years	14,643	2,823	14,643	2,823	
After five years	_	_	_	_	
Total	21,422	6,910	21,422	6,910	

Note 8 Salaries, other remuneration and social fees

	2015		20)14
Average no. of employees	Total	Men	Total	Men
Parent Company				
Sweden	83	59	72	52
Group Companies				
USA	15	11	11	10
United Kingdom	7	5	7	4
Canada	1	1	1	1
Australia	1	1	1	1
China	2	1	3	2
Total	109	78	95	70
Gender distribution of senior position holders	Total	Men	Total	Men
Parent Company				
Members of the Board of Directors	6	5	6	5
Other senior position holders	2	2	2	2
Total, Parent Company	8	7	8	7
Salaries and benefits,				
SEK thousands		2015		2014
Parent Company				
Salaries and benefits		44,100		46,344
Pension expenses		4,957		4,457
Other social fees		13,783		13,955
Total		62,840		64,756
Subsidiaries				
Salaries and benefits		24,409		18,705
Pension expenses		600		420
Other social fees		3,529		2,030
Total		28,538		21,155

Pension expenses relate to the amount recognised as an expense for defined contribution plans in the income statement and associated payroll tax.

Remuneration to the Board, CEO and senior position holders, SEK thousands	Salaries/ Board fees	Incentive programme	Pension expenses	Other benefits	Total
Board of Directors:					
Henrik Tjernberg, Chairman of the Board	475				475
Örjan Gatu, Board member ¹	-				-
Jan-Olof Backman, Board member	175				175
Robert Ahldin, Board member	175				175
Katarina G Bonde, Board member	175				175
Ulf Arnetz, Board member	175				175
Other senior position holders:					
Joel Bollö, CEO	1,980		431	63	2,474
Other senior position holders (1 person) ¹	1,889		450	92	2,431
Total	5,044	-	881	155	6,080

¹⁾ Örjan Gatu receives no fees for Board membership – only remuneration as a member of senior management.

Note 8 Cont.

Remuneration to the Board, CEO and senior position holders 2014, SEK thousands	Salaries/ Board fees	Incentive programme	Pension expenses	Other benefits	Total
Board of Directors:					
Henrik Tjernberg, Chairman of the Board	400				400
Örjan Gatu, Board member ¹	_				-
Jan-Olof Backman, Board member	150				150
Robert Ahldin, Board member	150				150
Katarina G Bonde, Board member	150				150
Ulf Arnetz, Board member	150				150
Other senior position holders:					
Joel Bollö, CEO	1,965	3,571	421	67	6,024
Other leading position holders (1 person) ¹	1,599	3,571	365	78	5,613
Total	4,564	7,142	786	145	12,637

¹⁾ Örjan Gatu receives no fees for Board membership - only remuneration as a member of senior management.

Remuneration principles

Remuneration to the Chairman of the Board and other Board members is decided by the AGM. Overall principles guiding remuneration to senior position holders are based on position, individual performance, consolidated profit, and that remuneration shall be competitive. Total remuneration to leading position holders shall consist of fixed salary and variable salary based on attainment of incentive-based performance targets. Additionally, there are conditions governing termination and severance pay. Group management in 2015 comprised one senior position holder together with the CEO. All senior position holders were employed for the whole year.

Variable compensation

MSAB has a profit-sharing programme whereby five percent of consolidated profit before tax is distributed to employees, excluding the CEO and the CTO. This total includes social fees and and the allocation shall not exceed three months of salary.

Incentive programmes

Long-term incentive programme 2015-2018

On 6 May, 2015 MSAB's AGM decided to implement a long-term incentive programme for the Company's senior management and certain key persons with the exception of CEO Joel Bollö and CTO Örjan Gatu (no more than 20 persons total). Participants are invited to subscribe for share warrants at fair market compensation (as per the Black & Scholes model). These entitle the holder to subscribe for new B series shares in the Company during the period 1 June, 2018 up to and including 30 September, 2018 at a price equal to 130 percent of the average volume-weighted closing price for the Company's B series shares during the period 8 May up to and including 15 May, 2015. According to this calculation, the option price was SEK 3.81 per share warrant. The maximum number of share warrants that any programme participant is offered shall not exceed 30.000.

Long-term incentive programme 2014-2017

An Extraordinary General Meeting (EGM) in 2014 decided on a long-term incentive programme for the Company's CEO and CTO. The first part of the programme consists of a gratuitous allotment of B shares worth MSEK 1.5 after income tax per respective participant. Additionally, it was decided that programme participants be invited to subscribe for 220,000 share warrants per participant at fair market compensation which would entitle the holder to subscribe for an equal number of the Company's series B shares during the period 1 January, 2016 up to and including 16 June, 2017. The subscription price was decided at 130 percent of the average volume-weighted price for the Company's B series shares for the five trading days occurring immediately prior to the 2014 EGM. According to this calculation, the option price was SEK 0.73 per share warrant.

Pension

The contractual retirement age for the CEO and other senior position holders is 65 years. Pension premiums for the CEO are calculated at 22 percent of pensionable salary and follow a defined pension contribution plan. Other senior position holders also belong to a defined pension contribution plan, and pension premiums for 2015 were on average 24 percent of basic salaries. Variable remuneration is not included in pension calculations for the CEO nor for any other senior position holders. All pensions are inviolable, i.e. not conditional upon future employment.

Serverance pay

The CEO has a fixed annual salary of SEK 1,980,000. Upon termination, the CEO is entitled to compensation corresponding to one year's fixed salary. The Company pays insurance compensation on severance pay. Severance pay is not offset against other income. When termination of other senior positions holders is initated from the Company's side, Swedish labour law (LAS) shall apply.

Note 9 Government subsidies

	Gro	Group		ompany
SEK thousands	2015	2014	2015	2014
Relates to employment subsidies and has been granted up to				_
and including 2015-04-30.	_	218	-	218

Note 10 Financial income

	Gro	oup	Parent Company	
SEK thousands	2015	2014	2015	2014
Dividends from subsidiaries	-	-	-	1,303
Interest income	50	60	58	86
Currency exchange gains	8,235	2,989	8,235	2,989
Total financial income	8,285	3,049	8,293	4,378

Note 11 Financial expenses

	Group		Parent Company	
SEK thousands	2015	2014	2015	2014
Interest expenses	-14	-10	-12	-3
Currency exchange losses	-6,064	-2,416	-6,064	-2,412
Total financial expenses	-6,078	-2,426	-6,076	-2,415

Note 12 Tax

	Group		Parent Company	
SEK thousands	2015	2014	2015	2014
Current tax	-14,254	-6,227	-11,175	-3,097
Deferred tax	727	1,880	_	_
Total reported tax expense	-13,527	-4,347	-11,175	-3,097
Reconciliation of the year's tax				
Profit/loss before tax	58,659	14,731	50,547	15,114
Tax in accordance with tax rate in Sweden, 22 %	-12,905	-3,241	-11,120	-3,325
Effect of different tax rates in foreign subsidiaries	-566	-1,047	-	_
Non-taxable items	-	6	_	293
Non-deductible items	-55	-65	-55	-65
Tax expense	-13,526	-4,347	-11,175	-3,097
Average tax rate, %	23.1	29.5	22.1	20.5
Deferred tax in balance sheet				
Prepaid tax in the USA	727	1,880	-	_
Total	727	1,880	-	_

Note 13 Earnings per share

Earnings per share before and after dilution is calculated by dividing consolidated profit attributable to the Parent Company's shareholders by weighted average number of ordinary shares outstanding.

	Grou	nb
SEK thousands	2015	2014
Profit/loss for the year after tax, thousands	45,133	10,384
Average no. of shares before dilution, thousands	17,938	17,838
Average no. of shares after dilution, thousands	18,231	17,838
Earnings per share before dilution, SEK	2.52	0.58
Earnings per share after dilution, SEK	2.48	0.58

Note 14 Inventory, equipment, and fixtures and fittings

	Gr	Group		Company
SEK thousands	2015	2014	2015	2014
Opening balance, historical	5,342	5,286	5,097	5,057
Cost Purchases	1,804	447	1,600	437
Sold/scrapped	-	-397	-	-397
Exchange gains/losses	-	6	-	_
Closing balance, accumulated cost	7,146	5,342	6,698	5,097
Opening balance, depreciation	-3,406	-2,969	-3,172	-2,836
The year's planned depreciation	-1,070	-834	-985	-733
Sold/scrapped	-	397	-	397
Closing accumulated depreciation	-4,476	-3,406	-4,157	-3,172
Closing balance, planned residual value	2,670	1,936	2,541	1,926

Note 15 Intangible assets

	Gr	Group		Parent Company	
SEK thousands	2015	2014	2015	2014	
Opening balance, historical cost	2,074	3,025	2,074	3,025	
Purchases	522	114	522	114	
Sold/scrapped	-210	-1,065	-210	-1,065	
Closing balance accumulated cost	2,386	2,074	2,386	2,074	
Opening balance depreciation	-1,426	-1,799	-1,426	-1,799	
The year's depreciation	-549	-692	-549	-692	
Sold/scrapped	210	1,065	210	1,065	
Closing accumulated depreciation	-1,765	-1,426	-1,765	-1,426	
Closing balance, planned residual value	621	648	621	648	

Note 16 Participation in Group Companies

		ompany
SEK thousands	2015	2014
Opening balance, historical cost	7	7
Closing balance, accumulated cost	7	7

SEK thousands	No. shares	Corp. ID no.	Capital and voting rights,%	Book value	Domicile	Equity	Profit/ Loss
Micro Systemation Ltd	1	6783784	100	_	United Kingdom	2,792	1,793
MSAB Incorporated	3,000	33-1211059	100	6	USA	9,333	3,353
Mico Systemation Canada Inc	100,000	850091-6	100	-	Canada	218	139
Micro Systemation Pty Ltd	100	164546632	100	1	Australia	668	473
Micro Systemation HK Ltd	10,000	1986284	100	-	Hong Kong	-112	-32
– MSAB Technology (Beijing) Co., Ltd	NA	09557804-X	100	_	China	1,770	1,183

Total

Note 17 Trade receivables

	Gr	Group		Company
SEK thousands	2015	2014	2015	2014
Trade receivables	42,296	44,035	28,501	33,787
Total	42,296	44,035	28,501	33,787
	Gr	Group		Company
Trade receivables, age analysis, SEK thousands	2015	2014	2015	2014
Not yet due	20,756	37,211	24,789	29,698
Overdue 30 days	15,357	4,412	1,989	2,927
Overdue 31–60 days	282	1,102	118	517
Overdue 61–90 days	5,313	950	1,496	565
Overdue > 90 days	588	360	108	80
Total	42,296	44,035	28,501	33,787

Overdue trade receivables amounted to SEK 21,540 (6,824) thousand. Total provisions for doubtful trade receivables amounted to SEK 400 (0) thousand. Established bad debt losses amounted to SEK 32 (0) thosand

and have been recognised as an operating expense. It is the Company's assessment that reported values for trade receivables correspond to fair values

Note 18 Prepaid expenses and accrued income

	Group		Parent C	Company
SEK thousands	2015	2014	2015	2014
Prepaid rent	1,237	1,179	1,186	1,179
Prepaid insurance premiums	_	169	_	169
Other items	2,538	2,015	2,243	1,887
Total	3,775	3,363	3,429	3,235

Note 19 Cash and cash equivalents

Cash and cash equivalents comprise only the cash available in the Group's normal bank accounts. Net asset value for these assets is assessed as corresponding to fair value.

Note 20 Share capital

Share capital amounted to SEK 3,728,400 (3,728,400) – 18,642,000 (18,642,000) shares at a nominal value of SEK 0.20.

The Company has three classes of shares. Every share gives equal rights to the Company's assets and profit, but where every share in the A series entitles the holder to ten votes, every share in the B and C series

entitles the holder to one vote. The number of shares in series A amounted to 1,000,000 (1,000,000) and in series B to 17,020,000 (17,020,000). The number of C shares amounted to 622,000 (622,000) all of which are held in treasury. Of B shares, 81,596 (8,159) are held in treasury.

Note 21 Accrued expenses and deferred income

	Gr	Group		Parent Company	
SEK thousands	2015	2014	2015	2014	
Accrued vacation pay	5,420	4,800	5,420	4,800	
Accrued bonus	3,852	4 834	3,852	2,258	
Accrued social fees	3,026	2,255	3,026	2,255	
Deferred income	38,931	28,559	12,109	10,549	
Other items	4 257	1 582	1,201	1,238	
Total	55,486	42,030	25,608	21,100	

Note 22 Adjustments for items not included in cash flow

	Group		Parent C	ompany
SEK thousands	2015	2014	2015	2014
Depreciation	1,621	1,526	1,534	1,425
Unrealised change in value, financial instruments	-54	-49	-54	-49
Unrealised foreign exchange differences	-452	2,524	_	_
Share programme	-	3,000	_	3,000
Total	1,115	7,001	1,481	4,376
Interest received	50	60	58	86
Interest paid	-14	-10	-12	-3

Note 23 Dividend

The dividend decided by the AGM and paid out in 2015 was SEK 1 per share, totalling SEK 17,938 thousand.

The Board of Directors will propose at the AGM on 10 May 2016 a cash dividend of SEK 2.2 per share, totalling SEK 40,432 thousand.

Note 24 Pledged assets and contingent liabilities

SEK thousands	20	15 2	2014
Group			
Pledge	1,7	18 1,	,718
Total	1,7'	18 1,	,718
Parent Company			
Pledge	1,7	1,	,718
Total	1,7'	18 1,	,718

Pledges relate to a performance guarantee for payment of rent for headquarter offices in Stockholm.

Note 25 Approval of financial reports

Micro Systemation AB's (publ) consolidated accounts and the annual accounts for Micro Systemation AB (publ) for accounting year 2015 were approved by the Board of Directors and the Chief Executive Officer on 19 April, 2016. The consolidated accounts and the annual accounts will be put before the Annual General Meeting for adoption on 10 May 2016.

The Board of Directors and the Chief Executive Officer give their assurance that the annual accounts have been prepared in accordance with the Annual Accounts Act and RFR 2.2 and that they provide a true and fair view of the Company's financial position and results, and that the Report of the Board of Directors gives a true and fair view of the

Board member

Group's business activities, financial position and results, and describes the significant risks and uncertainties to which the Company is exposed.

The Board of Directors and the Chief Executive Officer give their assurance that the consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and that they give a true and fair view of the Group's position and result, and that the Report of the Board of Directors for the Group gives a true and fair view of the Group's business activities, financial position and results, and describes the significant risks and uncertainties to which the Group is exposed.

Board member

Stockholm 19 April, 2016

Henrik Tjernberg Chairman of the Board

Joel Bollö Jan-Olof Backman
Chief Executive Officer Board member

Örjan Gatu Robert Ahldin
Board member Board member

Katarina G Bonde Ulf Arnetz

Our audit report was submitted on 19 April, 2016

Deloitte AB

Erik OlinAuthorised public accountant

Auditor's report

To the Annual General Meeting of Micro Systemation AB (publ), Corporate ID no. 556244-3050.

Report on the Annual Accounts and Consolidated Accounts

We have audited the annual accounts and consolidated accounts of Micro Systemation AB (publ) for the financial year 2015-01-01 – 2015-12-31. The annual accounts and consolidated accounts of the Company are included in the printed version of this document on pages 20–43.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent Company as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2015 and of their financial performance

and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent Company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the Company's profit or loss and the administration of the Board of Directors and the Managing Director of Micro Systemation AB (publ) for the financial year 2015-01-01 – 2015-12-31.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the Company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the Company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the Company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the Company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the Company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm 19 April 2016

Deloitte AB

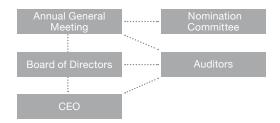
Signature on Swedish original

Erik Olin

Authorised Public Accountant

Corporate Governance Report

As of November 1, 2015, MSAB applies the revised Swedish Corporate Governance Code. Corporate governance in MSAB is based on Swedish legislation, and the regulations and recommendations as set out by relevant organisations such as the Swedish Corporate Governance Board, Nasdaq Stockholm, the Swedish Securities Council, and others. Corporate governance is conducted through the AGM, the Board and the Chief Executive Officer. The Company's auditors, elected by the AGM, reviews the financial statement and the management of the Company as conducted by the Board of Directors and the Chief Executive Officer. The Nomination Committee prepares proposals to the AGM on the election and remuneration of the Board and auditors. The Code is built on the principle comply or explain, which means that a company that applies the Code may deviate from its provisions provided that each deviation can be explained in a satisfactory manner.



Annual General Meeting

The Annual General Meeting (AGM) is the Company's highest decision-making body. The Company complies with the Swedish Companies Act with regard to how the AGM is organised, how shareholders exercise their rights, and what decision-making powers the AGM has. The AGM was held on 6 May, 2015 at Gällöfsta City's premises in Stockholm. Decisions taken by the AGM included:

- re-election of Henrik Tjernberg as Chairman of the Board, and re-election of Katarina G. Bonde, Ulf Arnetz, Jan-Olof Backman, Robert Ahldin and Örjan Gatu as Board members;
- adoption of the income statement and balance sheet for calendar year 2014 as reported in the annual accounting;
- distribution of MSEK 17.9 as proposed by the Board of Directors
- discharge of Board members and the Chief Executive Officer from liability for 2014;
- adoption of the Board's proposal for a long-term incentive programme 2015–2018, and the Board's proposal on issuing share warrant options in accordance with the long-term incentive programme 2015–2018:
- adoption of the Board's and auditor's remuneration and provision of guidelines for remuneration of senior position holders;
- re-election of Erik Hermansson, Joakim Dal and Henrik Tjernberg as members of the Nomination Committee. Erik Hermansson was appointed Chairman of the Nomination Committee;
- re-election of Deloitte AB, with Erik Olin as the Auditor-in-Charge for the period up to the conclusion of the next AGM.

The AGM has not granted decision-making authority to the Board regarding whether the Company shall issue new shares or repurchase shares. The protocol from the AGM is available in full on the Company's website: msab.com

Share ownership

The Company's B shares (MSABB) are listed on Nasdaq Stockholm. The total number of shareholders as of 31 December, 2015 was 2,798. At the end of the period, Henrik Tjernberg and Robert Ahldin held shares or votes exceeding 10 percent.

Nomination Committee

The Nomination Committee is elected by the AGM. At the 2015 AGM, Erik Hermansson, Henrik Tjernberg and Joakim Dal were re-elected to the committee. The Normination Committee is responsible for preparing and presenting proposals regarding the election of General Meeting Chairmen, Chairman of the Board and Board members, proposals for fees to Board members and auditors, as well as preparing proposals for procedures for the Nomination Committee itself. Shareholders who wish to submit proposals to the Normination Committee can do so via email to: valberedning@msab.com.

The Board's work 2015

The Board consisted of six members after election by the AGM. The Board is ultimately responsible for how the Company is organised and for administration of the Company's affairs. Information about the business and its economic and financial status if provided regularly at Board meetings. As part of the internal control of financial reporting, the Board reviews financial year-end reports, interim reports and the annual accounts, and poses control questions on process descriptions and ways of working prepared by senior management. The CEO and the Chairman of the Board communicate frequently regarding the business. The Board is also responsible for ensuring that appropriate policies are drawn up and implemented within the organisation. The distribution of tasks between Board members, the Chairman of the Board and the Chief Executive Officer are clarified in the following written instructions:

- The Board's Procedural Plan.
- · Distribution of tasks between the Board and CEO.
- Instructions for the CEO.

Evaluation of Board and CEO performance

The Board, excluding members who are part of the operational management, evaluates on a continuous basis, the performance of the CEO within the framework of routine Board work. Board evaluation has been accomplished partly through the Chairman's reporting to the Nomination Committee of the Board's work and its way of functioning, and partly through a survey compiled jointly by the Board and completed by each Board member. Great emphasis has been placed on following up former high-profile issues, and in continuity in the change and improvement work. When necessary, complementary, in-depth interviews of individual Board members have been conducted. The results have provided a basis for the Nomination Committee's ongoing work and have to some extent been reported back to the Board.

The Board met ten times in 2015 in Stockholm with attendance as follows:

Board 2015	Function	Elected	Indepen- dent	Presence at Board meetings
Henrik Tjernberg	Chairman	1986	No	10 of 10
Jan-Olof Backman	Board member	1999	Yes	10 of 10
Örjan Gatu	Board member	1999	No	10 of 10
Katarina G Bonde	Board member	2011	Yes	10 of 10
Ulf Arnetz	Board member	2011	Yes	10 of 10
Robert Ahldin	Board member	2013	No	10 of 10

Board independence

The Board is considered independent in relation to major shareholders, management and the Company with the exception of Chairman of the Board Henrik Tjernberg, whose voting rights exceed 10 percent and Board member Robert Ahldin whose shareholdings and voting rights

Corporate Governance



exceed 10 percent. Furthermore, Board member Örjan Gatu is considered dependent in relation to the Company and management in his capacity as Chief Technology Officer (CTO). Taking into consideration the Company's operations and development stage, the competence of the CTO is valuable for the efficient functioning of the Board's work and this motivates his membership on the Board. The Board has not established particular committees for remuneration and auditing due to the fact that the Company and the Board employ relatively few people. These issues are handled by the Board in its entirety. Örjan Gatu does not participate in work related to committees or remuneration since he is active on a daily basis in his role as CTO. The Board has discussed the Company's focus, product development, growth, strategy and significant operational questions. MSAB works actively with targets established by the Board, which are communicated to operational units via the CEO and senior management.

Senior management

The CEO is responsible for preparing and implementing MSAB's strategies for achieving agreed objectives. The CEO leads weekly meetings of two groups where one of the groups is oriented towards sales and marketing issues, and the second towards product development issues. Meetings are also regularly convened for the entire Company, or certain departments, for the purposes of disseminating information and reviewing activities with the Company's employees.

Auditor

At the 2015 AGM, the audit firm Deloitte was re-elected as the Company's external auditor for the period up to the next AGM. Erik Olin is the responsible Auditor-in-Charge. The Company's auditor reviewed the interim report for the period January – September 2015 as well as for the whole year. The auditor reports to the Board annually the conclusions drawn from its review and meets with the Board without management's presence in accordance with the Swedish Corporate Governance Code.

Internal control

The Board has overall responsibility for effective internal control of the Company. The CEO is responsible for processes and an organisation that assures internal control and the quality of the financial reporting to the Board and the market. The essential components of the Company's internal control structure are the control environment itself, risk assessment, control activities and monitoring

The control environment

The foundation of MSAB's control environment is the Company's established corporate culture. MSAB works actively to communicate the Company's values to ensure that a high level of morals, ethics and integrity permeate the organisation. The backbone of internal control is built up

around the Company's guidelines, instructions, policy documents, and the accountability and authority structure adapted to the organisation. During the year, the Board established a Code of Conduct with the purpose of ensuring good behaviour vis-à-vis the Company's customers, suppliers, employers and other stakeholders, as well as to ensure the Company's long-term value creation. The Group-wide ERP system has been upgraded and to some extent integrated into the Company's corporate CRM system. This is for the purpose of streamlining the sales process, but also to reduce the need for manual actions. These measures have further strengthened the internal control environment.

Risk Assessment

Risks relating to the financial reporting are evaluated and monitored continuously by the Board and management. Risk assessments are made at both the company and functional level, including essential processes and the IT environment. The Company's accounting is charac- terised by precautionary principles, and management strives to limit financial risks. It is management's objective that even the Company's IT environment shall be reliable and risk-minimised, and that the Company's business system is appropriate given the nature of the Company's operations. The Company strives for strong control over the production flow through all design and development taking place within the Company's organisation, and that all designs are the proprietary property of MSAB. The Company is not dependent upon any single supplier, although some production is external. MSAB's operations are affected by a number of business risks which have an impact on the Company's performance and financial strength. When assessing future trends, it is important to weigh opportunities for growth in profitability against the risks. The most significant risks identified relating to business

operations are currently:

- Exposure to various foreign currencies. The value of the Swedish krona relative to applicable currency fluctuations creates uncertainty in forecasts of future income in Swedish kronor. More than 90 percent of the Company's total sales are for export, while approximately 70 percent of Company's expenses are in Swedish kronor.
- Competition for customers is intensifying, and the Company works continuously with product improvements and packaging to continually meet customer requirements for the best tools.
- The speed of technological advancement and the launch rate of new and more advanced mobile phones places ever greater demands on development resources.
- · Legal risks.

Control activities

Several control activities are applied in the on-going business processes to ensure that any potential errors or deviations in the financial reporting

are prevented, detected and corrected. The objective is to have an authorisation structure where the same individual should not be able to perform a task and then control that same task. Personnel working within the accounting function are also involved in on-going dialogues with subsidiaries, and conduct an annual visit to follow-up and ascertain that routines and policy documents are adhered to in accordance with instructions from Group management.

Monitoring

The CEO reports monthly to the Board through a report covering the consolidated earnings trend in comparison to the previous year's and to the budget, as well as the consolidated financial position. MSAB has no particular audit function or internal audit as the Company is relatively small, and it is the opinion of the Board that the Company's business model, current structure and scope do not require such a function. The function is instead performed by Group management and the Group's financial function with the support of the external auditor. An on-going dialogue takes place between the Company and its external auditor, and those controls performed by Group management are currently assessed as adequate to ensure that the internal control is of a good standard. This assessment is continually evaluated and will be examined again in 2016.

Remuneration of the Board of Directors and senior position holders

The Nomination Committee prepares proposals for remuneration of the Board and these fees are decided upon by the AGM and received by those Board members who are not Company employees. Amounts of remuneration to the Board by fiscal year are reported in Note 8.

Remuneration principles

The Chairman of the Board and other Board members receive remuneration as decided by the AGM. Örjan Gatu is a member of the Company's senior management and receives no remuneration for his Board membership. Overall principles guiding remuneration to senior position holders are based on position, individual performance, consolidated profit, and that remuneration shall be competitive. Total remuneration to leading position holders shall consist of fixed salary and variable salary based on attainment of incentive-based performance targets. Additionally, there are conditions governing termination and severance pay. Group management in 2015 comprised one senior position holder together with the CEO. All senior position holders were employed throughout the entire year.

Long-term incentive programme 2014-2017

An Extraordinary General Meeting (EGM) in 2014 decided on a long-term incentive programme for the Company's CEO and CTO. The first part of the programme consists of a gratuitous allotment of B shares worth MSEK 1.5 after income tax per respective participant. Additionally, it was decided that programme participants be invited to subscribe for 220,000 share warrants per participant at fair market compensation which would entitle the holder to subscribe for an equal number of the Company's series B shares during the period 1 January, 2016 up to and including 16 June, 2017. The subscription price was decided at 130 percent of the average volume-weighted price for the Company's B series shares for the five trading days occurring immediately prior to the 2014 EGM.

Long-term incentive programme 2015-2018

On 6 May, 2015 MSAB's AGM decided to implement a long-term incentive programme for the Company's senior management and certain key persons with the exception of CEO Joel Bollö and CTO Örjan Gatu (no more than 20 persons total). Participants are invited to subscribe for share warrants at fair market compensation (as per the Black & Scholes model). These entitle the holder to subscribe for new B series shares

in the Company during the period 1 June, 2018 up to and including 30 September, 2018 at a price equal to 130 percent of the average volume-weighted closing price for the Company's B series shares during the period 8 May up to and including 15 May, 2015. The maximum number of share warrants that any programme participant is offered shall not exceed 30.000.

Deviations from the Code

The long-term incentive programme 2014-2017 for the CEO and the CTO deviates from the Swedish Corporate Governance Code, point 9.7 in that the vesting period is less than three years. The Board motivates this deviation on the grounds that participants have been active in the Company for 17 and 20 years respectively. During this time, they have been responsible for, and to a large extent involved in, the value creation which has been achieved thus far. The programme aims to increase participants' shareholder interests in the near future. The Board believes that this will benefit the Company's development and thus shareholder interests as well.

Pension

The contractual retirement age for the CEO and other senior position holders is 65 years. Pension premiums for the CEO are calculated at 22 percent of pensionable salary and follow a defined pension contribution plan. Other senior position holders also belong to a defined pension contribution plan, and pension premiums for 2015 were on average 24 percent of basic salaries. Variable remuneration is not included in pension calculations for the CEO nor for any other senior position holders. All pensions are inviolable, i.e. not conditional upon future employment.

Severance pay

The CEO has a fixed annual salary of SEK 1,980,000. Upon termination, the CEO is entitled to compensation corresponding to one year's fixed salary. The Company pays insurance compensation on severance pay. Severance pay is not offset against other income. When termination of other senior positions holders is initiated from the Company's side, Swedish labour law (LAS) shall apply.

Auditor's report on the Corporate Governance Report

To the Annual General Meeting of the shareholders of Micro Systemation AB (publ), corporate identity number 556244-3050

It is the Board of Directors who is responsible for the Corporate Governance Statement for the year 2015 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the Corporate Governance Statement and based on that reading and our knowledge of the Company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the Corporate Governance Statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, the Corporate Governance Statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm 19 April 2016 Deloitte AB

Signature on Swedish original
Erik Olin
Authorised Public Accountant

The Board and the CEO

The Board



Henrik Tjernberg

Chairman of the Board Independent in relation to the Company and senior management. Not independent in relation to major shareholders.

Date of birth: 1960 Education: Studied at KTH Current position: Investor Relations Advisor

Board member: 1986–2002 Chairman of the Board since:

Shareholdings: 900,000 A shares,

20,522 B shares

Other Board assignments: Chairman of the Board in Tjernkraft AB; Board member in CrowdSoft AB; Board deputy in Spinn-Y AB.



Katarina G Bonde

Board member Independent in relation to the Company, senior management and major shareholders.

Date of birth: 1958
Education: Master of Science,
Physics, KTH and studied Economics at Stockholm University
Current position: CEO, Kubi LLC.
Previous positions: CEO UniSite

Software Inc; CEO Captura International; VP Sales and Marketing Timeline Software Inc; Head of Marketing, Dun & Bradstreet Software Inc; CEO Programator Industri AB

Board member since: 2011 Shareholdings: 0

Other Board assignments:

Chairman of the Board Propellerhead AB; Board member in Fingerprint Cards AB, Nordax Group AB, Mycronic AB, Image Systems AB, Aptilo AB, Avega Group AB and Sjätte AP-fonden



Ulf Arnetz

Board member Independent in relation to the Company, senior management and major shareholders.

Date of birth: 1960 Education: Master of Science, Engineering, KTH; studied Industrial Economics at IHM Business School

Current position: Founder and Executive Chairman of the Board, Reforce International.

Previous positions: Owner and CEO and later Chairman of Corchange Inc. acquired by Nasdaq listed company OpenText; Founder, CEO and President of IOS Group which was later sold to Nasdaq listed company Cambridge Technology Partners; Head of European Operations, Cambridge Technology Partners; Board member in Panopticon (sold in 2014 to Nasdaq listed Datawatch Corp; Board member in DICE (EA) (currently being sold to EA)

Board member since: 2011 Shareholdings: 0 Other Board assignments:

Chairman of the Board and co-owner of Springlife AB and Reforce International Inc;
Operational Advisor to Barnpengar AB (app. 'Veckopengen', Eng. Weekly Allowance)



Robert Ahldin

Board member Independent in relation to the Company and senior management. Not independent in relation to major shareholders.

Date of birth: 1971 Education: Studied Economics

at Eckerd College, FL, USA

Current position: Partner, GP

Bullhound

Previous positions: Founder of risk capital and investment company Edastra, Rite Internet Ventures, Arctic Ventures, and stockbroker at Remium; began his career in 1995 as a financial analyst at Matteus Fond-kommission

Board member since: 2013 **Shareholdings:** 100,000 A shares, 1,771,900 B shares

Other Board assignments: Matsmart in Scandinavia AB, Compricer AB, Billogram AB, Edastra AB, Edastra Venture

Capital AB



Jan-Olof Backman

Board member Independent in relation to the Company, senior management and major shareholders.

Date of birth: 1961 Education: Master of Science, Engineering, KTH and University

Engineering, KTH and University of Washington

Current position: Self-employed

Previous positions: Senior positions within Coor Service Management and McKinsey

& Company

Board member since: 2002 **Shareholdings:** 246,181 B shares held privately and through company

Other Board assignments: Board member in Vasakronan AB, Chairman NextJet AB, and Höga Kusten Flyg AB



Örjan Gatu

Board member Independent in relation to major shareholders. Not independent in relation to the Company and

Date of birth: 1971 Education: Technical secondary

senior management.

Education: Technical secondary education

Current position: CTO, MSAB Has worked with R&D at MSAB since 1994.

Board member since: 1999 **Shareholdings:** 539,908 B shares,

220,000 share warrants

CEO



Joel Bollö

President and CEO, MSAB **Date of birth:** 1968 **Education:** Engineer

Current position: President and

CEO, MSAB.

Previous positions: CEO, DLX AB (Founder); Key Account Manager,

Netwise AB

Shareholdings: 114,222 B shares,

220,000 share warrants

History

1984

Bo Ericsson founds MSAB, a company with focus on advanced data communication. The current Chairman of the Board Henrik Tjernberg is employed the following year.

1998

The first GSM-related product, SoftGSM, an entirely software-based GSM modem, is launched. At the same time, the Company releases a new share issue and an informal listing takes place.

1999

The Company is listed on NGM (formerly SBI). An OEM agreement with Option International is signed. During June and July 1999, over 10,000 units of SoftGSM are sold.

2009

The Company opens offices in Washington, DC. Another subsidiary is established in the UK which is the Company's largest market to date. Australia and Asia are established as a new region and managed centrally from headquarters in Solna. A three-year framework agreement with the French Ministry of the Interior is signed and one of the Company's largest orders follows. The AGM decides to distribute dividends in the amount of MSEK 11.5 to shareholders.

2008

XRY has become the de facto standard within mobile forensics. The complementary product XACT, which can also recover deleted information, is launched. Dagens Industri bestows the award Gasellbolag (Gazelle Company of the Year, an award recognising the fastest growing company) and makes Technology Fast 500's list (exclusively for companies that demonstrate sustainable profitability and strong growth for at least five consecutive years). A subsidiary is established in the USA. The AGM decides to distribute dividends in the amount of MSEK 11.5 to shareholders.

2007

MSAB records sales of over MSEK 50 and reports a net profit of MSEK 23, which corresponds to growth of 93 percent. 2007 is the first year with new launch plans involving five product updates per year. XRY now supports 500 phone models. MSAB is the successful bidder on a tender issued by the French Ministry of the Interior and receives a large order.

2010

During the second half of the year, an American authority orders Field Version II to a total value of MSEK 50. Financial objectives are presented: 25 percent growth and an operating margin of 25 percent over a three-year period. The AGM decides to distribute dividends in the amount of MSEK 17.7 to shareholders.

2011

MSAB gives notice of its intention to start preparations for the Company's public listing on Nasdaq Stockholm, with completion in December. During the year, the Company receives a couple of additional, major orders from a major governmental organisation in the USA and from the French Ministry of the Interior. In June, the Company receives a strategically critical order from the FBI for 60 Office Logical systems. The AGM decides to distribute dividends in the amount of MSEK 14.2 to shareholders.

2012

MSAB introduces XAMN, an entirely new product which significantly improves customers' ability to analyse large quantities of data from several sources. Geographic expansion continues and the Company sets up in Russia, Brazil and China. The AGM decides to distribute dividends in the amount of MSEK 17.7 to shareholders.

2000

Launch of SoftNet, which facilitates connection of laptops to the Internet automatically via cable, wireless or GSM modem.

2002

Joel Bollö succeeds Henrik
Tjernberg as CEO and initiates
discussions with the Swedish police
regarding the need for systems
for retrieval of data from mobile
phones.

2003

SoftGSM and a subsequent product called SoftNet are consolidated under the name Mobile Communication Suite. The first version of SoftGSM XRY is sold.

2006

MSAB reports a profit of just over SEK 10 million. XRY is described in Fortune Magazine in an article entitled How to get the most out of a mobile phone. Version 3.0 of XRY makes it possible to create reports in local languages.

2005

The Company receives orders for the XRY, including from Germany and Austria. MSAB launches the first training in the field of forensics focusing on the preservation of evidence from mobile phones.

2004

• • • • •

A new share issue of MSEK 10 is used to finalise and begin selling the XRY system, which is launched globally and is the first product within the field of mobile forensics.

2013

XRY Kiosk, a stationary solution that allows for fast, simple data extraction, is launched. New offices are established in Canada and Australia, and investments efforts in China continue. The Company wins several significant contracts in Russia during the year. The AGM decides to distribute dividends in the amount of MSEK 10.6 to shareholders.

2014

A subsidiary is registered in China which makes possible local sales through distributors who were previously unable to import and sell the company's products. XRY Tablet is launched – a portable, hand-held terminal where both XRY and XAMN are available – as a complement to staff working in the field. The AGM decides to distribute dividends in the amount of MSEK 1.7 to shareholders.

2015

The Company launches a new graphical profile to further strengthen its branding, and is henceforth known as MSAB. An updated version of XRY Kiosk is launched, followed by a major order from Metropolitan Police Services in London for 60 systems. The AGM decides to distribute dividends in the amount of MSEK 17.9 to shareholders.

