

MSAB



ANNUAL REPORT 2017

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Financial calendar 2018

The AGM will be held at Konferens Spårvagnshallarna, Birger Jarlsgatan 57 A, Stockholm, on Tuesday, 15 May, 2018 at 18:00.

Interim report January–March	27 April
Interim report January–June	20 July
Interim report January–September	26 October
Year-end report	1 February, 2019

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The 2017 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.

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**

2017 in brief

Net sales increased 24.5 percent during the year to SEK 301.8 (242.4) million. In local currencies, net sales increased 25.5 percent. EBIT for whole-year 2017 reached SEK 68.9 (58.5) million, corresponding to an EBIT margin of 22.8 (24.1) percent. In local currencies, the EBIT margin was 23.2 percent.

PROPOSED
DIVIDEND/SHARE

2.2 SEK

Q1



- Net sales increase 18 percent and the EBIT margin reaches 11 percent.
- Spotlight 2.0, an analysis tool intended primarily for use by criminal investigators, and which is part of the XAMN family of products, is launched.

Q2



- Net sales increase 14 percent and the EBIT margin reaches 10 percent.
- The 2017 AGM decides to distribute a dividend of SEK 2.2 per share to shareholders.
- In June, the Company announces a strategic alliance with global IT company Nuix, which has a digital platform for criminal investigators. Together, MSAB and Nuix will be able to offer criminal investigators efficient tools for handling digital evidence.

Q3

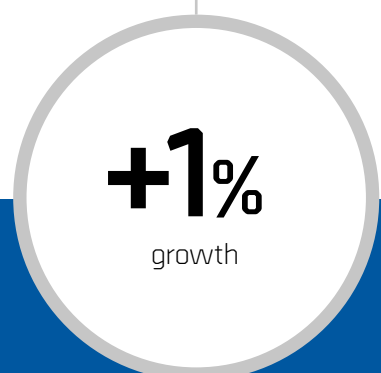


- Net sales increase 43 percent and the EBIT margin reaches 39 percent.
- In September, the Company announces a significant order from a European authority for a solution that includes both Kiosk and XEC. The order entails revenues amounting to SEK 19 million for the quarter.

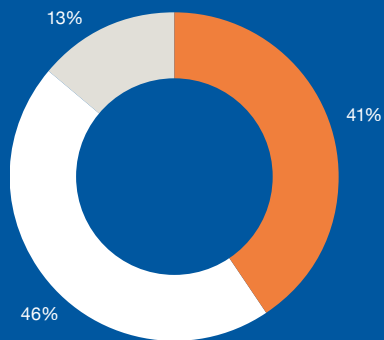
Q4



- Net sales increase 18 percent and the EBIT margin reaches 20 percent.
- Cash flow for the fourth quarter reaches SEK 51 million, which means the Company has SEK 127 million in cash and cash equivalents at year-end.
- The Company starts cooperating with the American company Kovar & Associates with the aim of expanding MSAB's capacity to extract data from drones, an increasingly common carrier of information in criminal contexts.

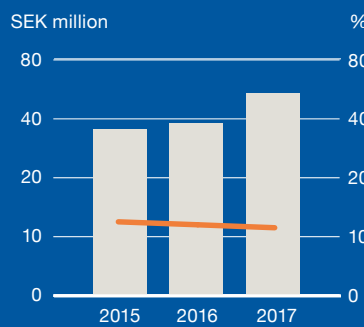


SALES PER REGION



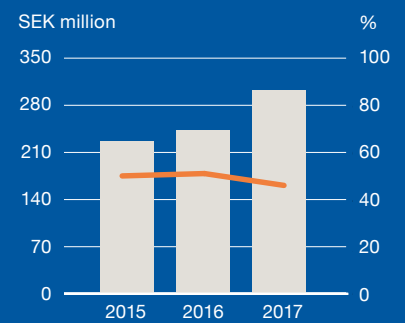
- North America
- EMEA & Latin America
- Asia & CIS

EBIT AND EBIT MARGIN



- EBIT
- EBIT margin

NET SALES AND RECURRING REVENUES



- Net sales
- Recurring revenues

Sales and earnings for the year at new record levels

MSAB helps law enforcement authorities become more efficient in their efforts to fight crime. We do this successfully - so successfully in fact that for the thirteenth consecutive year we are reporting increased sales with good profitability. This year we can also report new record highs for both sales and earnings

For whole-year 2017, sales grew 25 percent to SEK 301.8 (242.4) million. EBIT increased to SEK 68.9 (58.5) million, corresponding to an EBIT margin of 22.8 (24.1) percent. During the year, we made significant investments, primarily in our products and markets.

A few years ago, there were some questions about whether phones would become so secure that there was a risk that market growth for mobile forensic solutions could decline. The fact is that more and more digital devices are locked down harder by various types of encryption and other security measures. That suppliers of digital devices want to protect their users' data is natural and commendable - but not new. Various types of protection were already in place in 2003 when we launched the first version of XRY

Towards a digital world

In light of the above reasoning, we can conclude that MSAB will continue to infuse the market with innovative solutions that attract new and existing customers. For us, it is just as important today as it was in the past to continue to lead development in how criminal investigative authorities can access and manage information in the devices that police confiscate.

MSAB's products can access information in more phones, apps, and other types of products than ever before. And we are successfully educating the police in how they should handle the phones during the early stages of investigation. Best practices applied reduce the risk of phones being erased remotely and/or locked down so hard that it becomes extremely time consuming to get past any security barriers.

The world is becoming digitalised at an ever-increasing pace. And few things have changed society as rapidly as smart phones. Now we see the next wave of digitalisation. It's in everything from smart watches, connected refrigerators and self-driving cars to drones. We are still in the early phases of the IoT (Internet of Things), where everything is becoming connected and leaving digital tracks that are of great value in criminal investigations.

During the year, MSAB has successfully added different types of IoT devices. We already have solutions for mobiles, data from the cloud, USB memory sticks, smart watches, GPS devices, cars, smart TVs and drones. Drones can be used in many ways, for example, to transport illicit goods, for crossing back and forth over borders, but also as carriers of chemicals or explosives to cause harm

Challenges facing the police

All the world's police forces face significant challenges and independent research reveals how the performance of many police authorities is deteriorating. In Sweden, the solution rate for reported crime has dropped to under fifteen percent.

As regards digitalisation, the police have a significant challenge in adapting their operations at the same fast pace as society in general. Our assessment is that the police have no choice but to adapt to the new reality that prevails and will thus be forced to prioritise the digitalisation of their operations to a greater extent. We are confident that this will lead to greater efficiency, increase the number of crimes solved, and ultimately lead to a safer society based on the rule of law.

My firm opinion is that, just like society in general, the police will also go through a digital revolution where they will prioritise investment in digital investigative activities and law enforcement in a whole other way. When this happens, the market for MSAB and MSAB Ecosystem will be much greater than anything we previously dared to imagine.

MSAB's work is long-term and we will continue to invest in growth and development to consolidate our position as a leading actor in a growing market. But our development is rarely linear or even. Thus, the Company must be assessed and valued on the basis of a longer period than just a single quarter.

Stockholm, April 2018

Joel Bolló
Chief Executive Officer



MSAB has barely scraped the surface of the justice system's need for mobile forensics

“The cell phone is probably the single most important piece of evidence you will find at a crime scene today.” This quote is from former FBI Director James Comey. MSAB uses this quote frequently in its communication because it is a simple yet powerful way of illustrating the importance of MSAB's activities and existing opportunities for growth. Today, communicating and managing information through our mobile phones and other digital devices is a given.

Market conditions

Criminals are a part of our society. Their use of mobile phones and other carriers of digital information does not differ from that of society in general. On the contrary, technological development can be adopted quickly by criminals to carry out criminal acts. An example of this is that the popular drone is becoming increasingly common in criminal investigations. An increasing number of things are being connected to the internet – the so-called IoT (Internet of Things). Hence, they become carriers of information and can hold important evidence for the police. The need to extract data from different types of devices in connection with criminal investigations is going to increase in the future.

Insight into and the capacity to manage the digitalisation of evidence differs depending on where in the world we look. A simplified view is that the Western world has come the furthest in this area. But the challenge is global in character as the use of mobile phones does not differ that much between different parts of the world.

The judicial system

Most law enforcement authorities are still in the process of designing a more unified strategy for secure and efficient handling of evidence. MSAB plays an important role as a disseminator of information and knowledge. MSAB's technology allows organisations, which are often overburdened with seized mobile devices, to streamline their work processes. Additionally, the technology provides a qualitatively better basis for investigation than other applied methodologies which strengthens law and order. The challenges that many law enforcement authorities face when it comes to collection of evidence from mobile devices means growth potential for MSAB.

Besides the growing number of mobile devices, the amount or storage available on every smart phone is also growing. Taken together, this means that the amount of data that a phone can hold is also constantly increasing. For MSAB's customers, this presents a challenge, as an increasing amount of resources are required to extract and secure evidence from mobile devices in a legally secure and efficient manner.

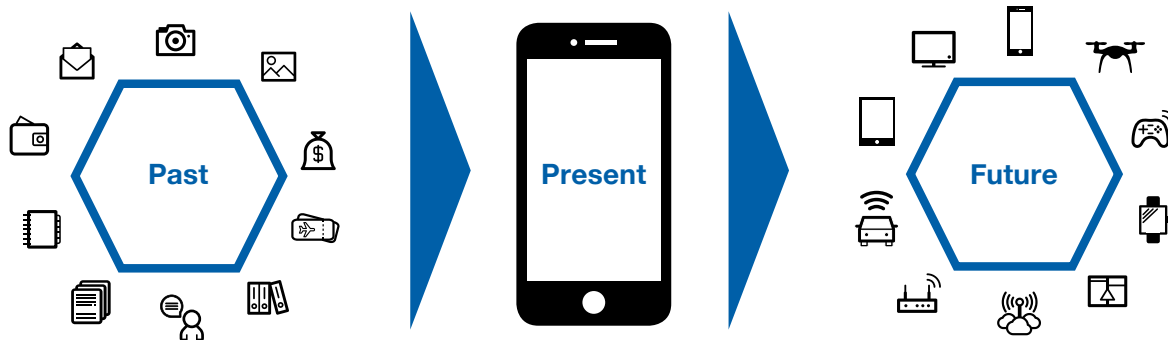
Simple phones still in use

The rapid development of mobile phones is central for MSAB. However, in criminal investigations, the simpler, often older phones are still quite common. The reason for this is that these phones are cheaper for criminals to dispose of when it comes to getting rid of evidence. During the year, MSAB has built up solid support for older phones while continuously supporting new devices. This competence when it comes to older phones with vastly different operating systems makes it difficult for new actors to enter the market.

Many functions in society in need of mobile forensic tools

Historically, MSAB has defined three main customer groups: the police and judicial system; the military; and intelligence agencies. These three groups constitute the majority of MSAB's business. However, the need for tools and methods for managing mobile forensics is spreading to other stakeholders. Customs, immigration, border control, and prisons are examples of actors facing challenges in managing information in seized digital devices. MSAB's products and solutions meet these challenges well, as demonstrated in the increased demand from exactly these customer groups.

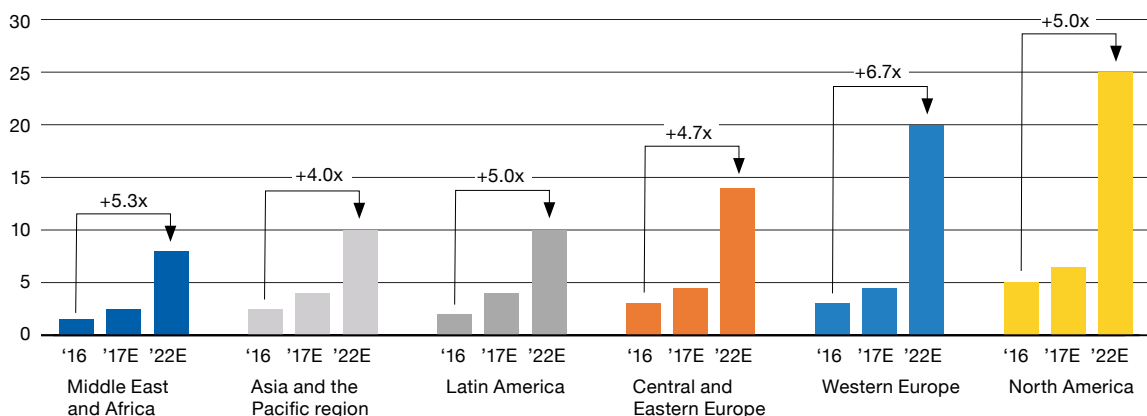
The shift of information from analogue to digital platforms



Back when society was not as digitalised as today, evidence in criminal investigations could be found in letters, Filofax, tickets, calendars, cameras, etc. Today this evidence is almost exclusively digital, and the mobile phone is the single greatest and most important carrier of evidence. The trend is that digital evidence is turning up in more and more places, for example, in cars, drones, smart fridges, etc. Hence, the importance of the judicial system being able to make use of evidence obtained from digital devices will only increase.

Data traffic per active smartphone

GB per month



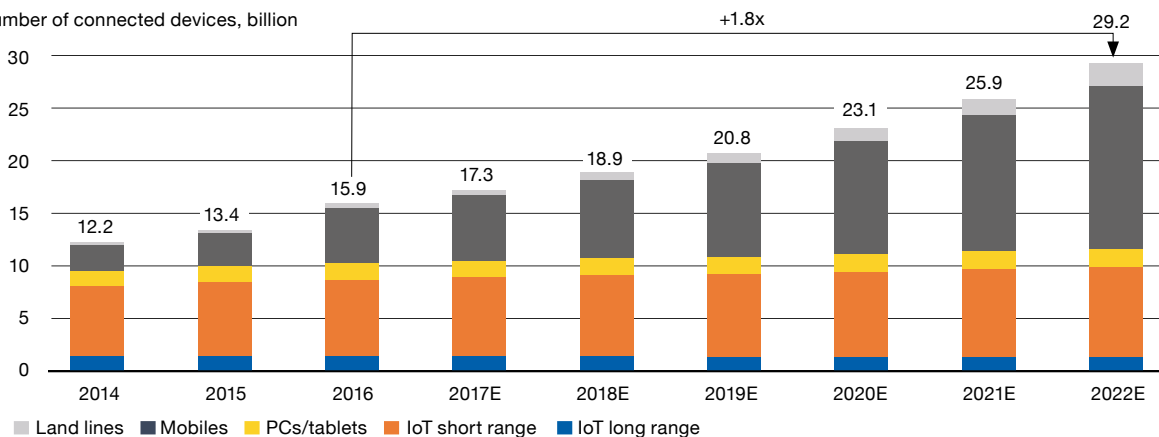
Source: Ericsson Mobility Report June 2017

(1) Global mobile data traffic includes smartphones, mobile PCs, tablets, routers, and voice. 1 ExaByte = 1 billion gigabytes

The number of connected devices and the amount of information these contain is increasing at an undiminished pace. This poses a major challenge for the judicial system when it comes to managing all the digital information that proliferates in a criminal investigation. Tools for extracting and analysing data are critical for identifying the evidence and leads which lead to a crime being solved.

The number of connected devices is on the rise

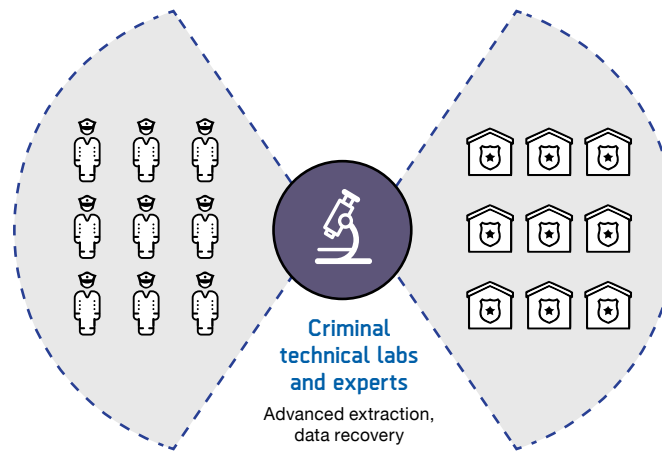
Number of connected devices, billion



Growth areas

Local police stations and individual police officers

Decentralisation of mobile forensics management to local police stations and individual police officers



Investigators and analysts

In-depth analysis of data; linking of multiple devices and establishing relationships between these

Police and the judicial system

Different types of police organisations are MSAB's largest and most important customer group, and most products and services have been designed to resolve the challenges that they face.

MSAB must constantly adapt to how these authorities are organised, as this differs between countries. For example, the United Kingdom has decentralised organisations where decisions to purchase equipment are often made at the regional or local levels, and separately for the various units. In France, the situation is the exact opposite. All procurement decisions are made at the highest level and result in framework agreements. In the USA, there are several federal authorities where procurement decisions are made centrally, but there are also local and state police organisations where decision-making is more decentralised.

Common for all markets is that MSAB's primary partner within police organisations is the forensic lab. Increased pressure to quickly extract evidence from mobile phones has created a need to decentralise data extraction competence to the front line, e.g. police patrols and local police stations. MSAB's solution is Kiosk and Tablet, so-called 'turnkey solutions' that are user friendly and which enable rapid securing of evidence. This has become clear, and the Metropolitan Police in London are but one example. There, the trend is away from the model where a few specialists in laboratories examine all phones. Instead, they are driving a trend toward placing responsibility for initial examination of phones at the local level in the organisation. We see this model as the future within mobile forensics, and customers on the most mature markets express a desire to implement similar ways of working.

MSAB also wants to help criminal investigators and analysts within the police with their problems. Here, being able to quickly find and analyse relevant information amongst vast quantities of extracted data is key. MSAB's product family XAMN has been developed for exactly this purpose. Taken together, there are major opportunities to further develop and grow business within

the police, partly through decentralisation of data extraction and partly through providing analysts and investigators with efficient tools for analysis.

Military

The need for data extraction and analysis of phones found or seized during military operations is increasing. A significant driving force behind this is the increase in global terrorism. Here, "actionable data", i.e. information which must be quickly extracted to quickly prevent the commission of further crimes, is key.

Intelligence agencies

MSAB's products are used world-wide by various intelligence organisations. Intelligence organisations are active domestically and internationally and their operations demand flexible tools that provide quick access to information that can help assess the level of any possible threats.

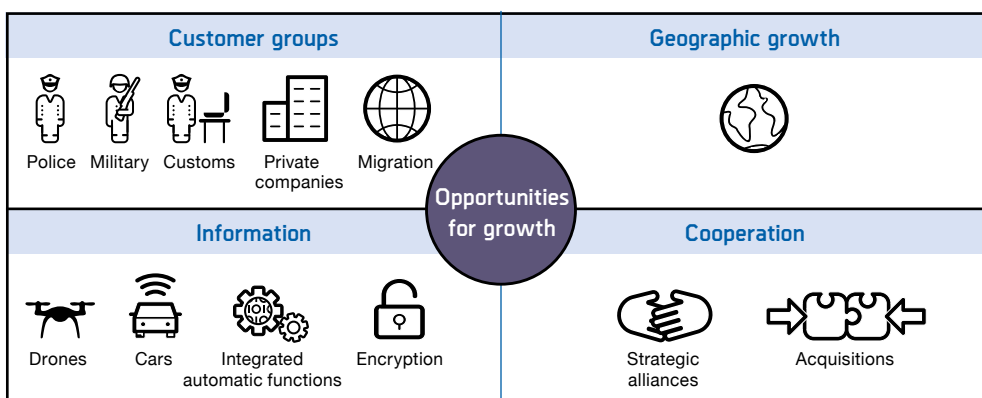
Geographic overview

MSAB's customer base spans over 120 countries world-wide. MSAB divides the market into three geographic areas: North America; EMEA & Latin America; and Asia & CIS (Commonwealth of Independent States). The different geographical markets are worked primarily through their own sales forces and in some cases through distributors. Today, MSAB maintains a local presence with its own staff in 13 countries.

Competitors

MSAB has a few direct competitors who offer comparable technology and products. The main and largest competitor is Cellebrite with the product UFED. Cellebrite is an Israeli company originally which was incorporated into the Japanese group Sun Corporation a few years ago. Oxygen is a Russian supplier whose commercial influence on the market has been rather

Opportunities for growth



limited though their technology is in some respects similar to MSAB's. MSAB's product family XAMN, which is specific for analysis of extracted data, faces competition from other types of companies devoted solely to data analysis. One such actor is the Canadian company Magnet Forensics. In addition, there is some local competition on certain markets. This type of competition is most significant in China where there are many locally specific applications.

Opportunities for growth - summary

To summarise, there are several trends and factors driving the market in which MSAB operates, where technological developments and our customers' challenges in managing this are most central. MSAB, with its technology, long history on the market, and its knowledge of methodologies and ways of working, is well-positioned to be the obvious partner for managing our customers' challenges. For MSAB as a company, there are good conditions for growth: customer groups, geography, and the increasing number of types of information carriers that require additional forensic tools, as well as different strategic alliances.

Customer groups

The police are facing major challenges with the substantial increase in digitalised evidence and must embrace new, contemporary methods and ways of working. The most obvious opportunity for growth, and one which we are already in the middle of, is the decentralisation of mobile phone forensics to local police stations and individual police officers. Criminal investigators and analysts need help coping with vast quantities of data and cross-referencing of devices.

Military operations see an increased need to quickly access critical information, especially for combatting terrorism. An increase in cross-border mobility means that customs agencies are being confronted with digital information to an ever-incre-

asing extent. Thus far, the private sector has received minimal attention from MSAB. Large companies in particular have a need for tools to extract information, for example, when conducting internal investigations. Today's extensive flow of refugees presents major challenges for migration authorities where the digital information that people carry in their personal possessions is important for establishing identity, amongst other things.

Geographic growth

MSAB has a global presence, where the focussed establishment in Asia – with offices in Singapore, China and Australia – has been successful. We see major and continuing demand for our products world-wide, but where Asia and Latin America still carry great potential.

Information carriers

An increasing number of products carry digital information, a trend which is forecast to continue, with 3.7 connected devices per person by 2022 (Ericsson Mobility Report, June 2017, World Bank). MSAB currently has the competence to extract data from most mobile devices, and most recently even from cars and drones. This trend entails further opportunities for growth for MSAB in the form of designing and offering customers solutions that can manage multiple carriers of information.

Cooperation

MSAB's current strategic alliances include the American company Berla and Kovar, a partnership which has enabled MSAB to offer its customers the capacity to extract data from cars and drones. MSAB sees good opportunities for developing new and existing cooperative efforts, and for evaluating potential acquisitions with the aim of improving our customer offering thereby creating further growth.

Scalable business model with high percentage of recurring revenues

MSAB was founded in 1984 and its experience with mobile forensics is unique in the world. In many ways and to a large extent, we have shaped the industry. Through our business concept and model, we are determined to continue driving development to create value for our crime fighting customers and our shareholders as well.

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 several basic prerequisites that the Company sees as crucial for successful operations and thus for value creation for shareholders

Product and service quality assurance

MSAB shall be the best provider of quality systems for recovery and analysis of data from digital devices. To achieve this, a strong R&D department is needed, and technology has always played a central role at MSAB. It is not just about building advanced systems with a high degree of functionality. Customising systems for end users and 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



The continuous evolution of phones and applications drives MSAB and our customers to continuously update the products. This is a powerful driving force behind the high degree of license renewal.

proximity to existing and potential customers. To be the best supplier within a geographic market, MSAB must understand users' needs and conditions at the local level.

License renewal

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 successfully refining products for the customer. By offering first-class support and continuous upgrades, a high degree of license renewal is assured.

Growth

MSAB operates in a market with a high level of underlying growth. By investing in product development, market presence and organisational resilience, MSAB consolidates its market position. The Company is convinced that the need for professional tools for recovery and analysis of data from digital devices will continue to increase. MSAB is mainly focused on organic growth but in some cases also evaluates the possibility of acquisitions.



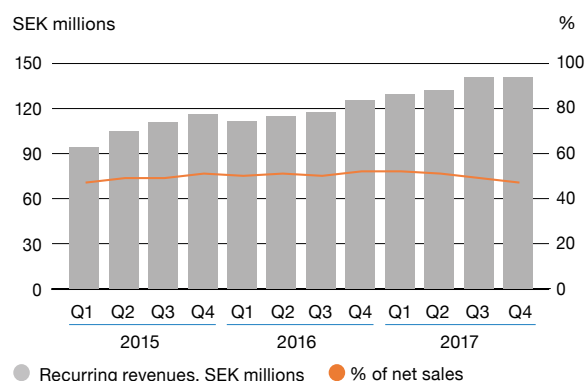
Business and revenue model

- MSAB’s core business consists of a selection of basic software where users purchase a license for their use.
- A start-up package contains a license and different types of hardware depending on the product.
- Products such as Kiosk, Tablet and Field, include a physical-platform (hardware) with pre-installed software.
- The length of a license varies depending on what the customer wants, but a timespan of one, two or three years is the most common.
- A license includes software updates during the license period.
- When a license expires, the customer must renew the license to assure access to product updates.
- Invoicing usually occurs in advance or at the time of delivery.

Since MSAB’s core business consists essentially of software, an increase in sales generates relatively low levels of direct expenses. Thus, MSAB has a scalable business model where an increase in sales to a large extent increases revenue. MSAB is continuously releasing software updates for extraction of data. These are necessary since phones and applications are

constantly being updated and developed which affects the functionality of software. To guarantee our customers the best possible functionality, they must always have the latest version, and for this they need a valid license. This is a powerful driving force for customers to renew their licenses, which gives MSAB a high percentage of recurring revenue.

Recurring revenues¹ rolling 12 months



1) For definitions of key ratios, see Five-year Overview on page 20.

Global leader for solutions to secure digital evidence

MSAB's product portfolio has been developed to provide law enforcement agencies with the best possible conditions to solve crime through securing of digital evidence. MSAB has three main product families: XRY, XAMN and XEC. Each product stands alone, but together they constitute a complete forensic ecosystem which significantly increases our customers' efficiency.

Data from an analysed digital device is normally intended for use in ongoing investigations where it is important to learn who a suspect has been in contact with, when, and if possible, exactly what was said or written. In this way, the digital device can be an important source of knowledge about the sequence of events that an investigator is trying to understand. Furthermore, it is common that extracted information gives rise to suspicions about other, previously unknown crimes, or links the holder of the phone to another crime where the person was previously not a suspect. A person arrested during a military operation likely has a mobile phone in his or her pocket. It has also likely been used since military radio communication is subject to greater limitations than the range offered by mobile phones. In this way, important data can be recovered from phone analysis. During an assignment executed by an intelligence organisation, analysis of seized mobile phones is a given. The analysis is quick and will not normally affect the analysed phone; rather, the phone can be returned to a suspect immediately upon release.

XRY –information extraction

XRY performs legally-secure data recovery from a broad selection of mobile devices such as smartphones, tablets, smart watches, music players and satellite navigational devices. In practical terms, this means that as much user-specific information as possible on a mobile phone or other digital device can be transferred to a PC for further analysis. Different operating systems and unique configurations complicates extraction of data from seized devices. XRY simplifies the process with support for thousands of different mobile devices and app versions. MSAB's intuitive software guides the user through the entire process.

XRY Logical is the fastest extraction method as it enables access to and restoration of live data and file system data from a device directly at the crime scene. It extracts data from digital devices by communicating with the device's operating system. The service is automated but is the equivalent of manually examining each screen on the device and recording what is displayed. With the proprietary XRY file format, the data and the integrity of your evidence is kept safe from extraction all the way to court and conviction. XRY Physical lets examiners bypass the ope-

rating system to extract all raw data from the device. This data provides access to systems, protected and deleted data, and can also overcome security and encryption challenges on locked devices. XRY Cloud recovers data beyond the mobile device itself from connected cloud-based storage by using mobile device tokens that enable apps to function without the need for entering login details. This is particularly useful when looking for online social media data and app-based information for services such as Facebook, Google, iCloud, Twitter, Snapchat, WhatsApp, Instagram, etc.

XAMN – analyses information

















The XAMN product family is a suite of analysis tools designed to make the work of the examiner more efficient. Once data has been extracted with the help of XRY, it is the investigators' role to find and further analyse the information. XAMN Spotlight assists the user to quickly search vast quantities of data to find relevant information and present an overview of this data. For example, a function for image identification automatically sorts pictures into certain categories, e.g. drugs and weapons. With the steadily increasing number of mobile devices being seized for examination by investigators, the challenge of interpreting all the data is becoming greater. As a part of the wider Ecosystem, XAMN Horizon users can view the contents of several XRY files in one place to compare data from different devices simultaneously and look for connections. XAMN Elements enables in-depth investigation of so-called hex-data, for example, to reconstruct data deleted from a mobile device.

XEC – system monitoring

XEC is an administrative product family that enables monitoring of the entire forensic ecosystem. In part, it enables different types of network solutions that include products throughout the entire ecosystem, and secondly it enables greater export of data to other analysis tools that customers might have.

Platforms

MSAB provides software products for Open and Turnkey platforms. The Open platform, MSAB Office, is designed for use on

<p style="text-align: center;">XRY</p> <p style="text-align: center;">Extract</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  XRY Logical </div> <div style="text-align: center;">  XRY Physical </div> </div> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="text-align: center;">  XRY Cloud </div> <div style="text-align: center;">  XRY PinPoint </div> <div style="text-align: center;">  XRY Camera </div> </div> <ul style="list-style-type: none"> • Solutions for extracting data that include software and hardware • Runs on Windows operating system • Extracts data from mobile devices and cloud-based storage 	<p style="text-align: center;">XAMN</p> <p style="text-align: center;">Analyse</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  XAMN Viewer </div> <div style="text-align: center;">  XAMN Elements </div> </div> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="text-align: center;">  XAMN Spotlight </div> <div style="text-align: center;">  XAMN Horizon </div> </div> <ul style="list-style-type: none"> • Software for reviewing, visualising and analysing data from mobile devices • After the data has been extracted via XRY solutions, XAMN analyses the data and identifies important information 	<p style="text-align: center;">XEC</p> <p style="text-align: center;">Monitor</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  XEC Director </div> <div style="text-align: center;">  XEC Export </div> </div> <div style="text-align: center; margin-top: 10px;">  XEC Express </div> <ul style="list-style-type: none"> • Management and administrative tools designed to support managers and IT departments • The XEC tool supports XAMN and XRY in large-scale administration, e.g. bulk export of digital information to new formats 	<p style="text-align: center;">MSAB</p> <p style="text-align: center;">Platforms</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  MSAB Office </div> <div style="text-align: center;">  MSAB Field </div> </div> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="text-align: center;">  MSAB Kiosk </div> <div style="text-align: center;">  MSAB Tablet </div> </div> <ul style="list-style-type: none"> • Packaged solutions on two main platforms • Open: Office and Field products, designed for Windows PCs with point-and-click interfaces • Turnkey: Kiosk and Tablet products, user-friendly via touch screen interface
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a standardised Windows environment on the customer's own equipment. The Turnkey platform for Kiosk and Tablet has been developed to simplify operation and designed with touch screen interfaces. MSAB Field version is designed for mobile units working in rugged conditions. This equipment is for investigators in the field – military intelligence agencies, crime scene investigators and international organisations such as UN peacekeepers.

Services

MSAB also provides certain professional services as well as training to our customers.

Professional Services

To assist customers to determine which equipment is most suitable based on the nature and structure of the organisation, MSAB has further developed a service offering that includes strategy services. These are precisely aimed at working with customers to provide support for equipment implementation and training. In connection with implementation of more complex solutions, customers are offered implementation services.

Training

When our customers invest in technology for mobile forensics, it is important they get the best possible return on the investment. Extracting data is just the first step. Understanding what is being restored and why is important for ensuring maximum benefit. MSAB has a complete suite of courses and a dedicated team of trainers located all over the world.

MSAB's product development

At the end of 2017, the development department, together with the test and support departments, consisted of a total of 63 persons. A large share of the work within the development department entails maintaining and adding support for new mobile devices and apps. The market for mobile phones and applications is rapidly evolving. It is thus critical that the Company's products are continuously updated to meet these conditions, so our customers experience sustained functionality during

the license period. During the past year, refinement of existing products has been ongoing with several product updates. The market for MSAB's products is fragmented in that acceptance of the technology differs between countries and regions. Some countries, including the Nordics and the United Kingdom, already have work processes in place where the technology is a prerequisite for efficient law enforcement. Other countries have not yet established any broader knowledge or understanding for how they want to use or can use these types of products. For MSAB, this means providing existing customers with improved functionality and increased support for more models and applications, but also to successively increase the possibility to use the technology without needing in-depth knowledge. MSAB is also studying how users work from an organisational perspective and considering proposals for product improvements to assess how products should be developed and designed with a view to creating high added value for customers and broader acceptance.

Product development goals are to:

- simplify usability and keep entry levels comfortable for customers since technological development will force law enforcement authorities to adopt this technology widely.
- provide the highest possible technical performance and functionality and create well-reasoned solutions adapted to user requirements, work conditions and prior knowledge.

MSAB's long-term product development strategy builds on:

- understanding how users' organisations work and how their operations look where the products will be or could be used
- gathering information from users about requested functionality and how they would like to use the products
- consideration of how the market for digital devices is developing in general
- proactively developing proposals on how future products should be and how they could be used.

MSAB attaches great importance to performance and user friendliness and it is crucial for the Company's continued success that our product offering is of the highest class.

The forensic ecosystem provides increased efficiency

1. Crime scene

Immediate data recovery is required when a delay could lead to loss of evidence due to remote wipe, battery expire and lock of device. This is where a frontline forensic tool is needed like the Tablet solution; simple to use and easy to understand.

3. Investigator office

Individual detectives working alone or as part of a major investigation team, need access to the evidence using XAMN to review individual parts of the evidence, such as a text message or video in preparation for gathering further evidence or interviewing suspects.

2. Police station

When immediate intervention is not required, officers can take a mobile device to the police station for quick extraction and overview using Kiosk or Office. In addition, photos, videos and other potential evidence can be pulled easily from mobile devices belonging to witnesses.

4. Forensic Lab

Should the crime be more serious like rape, robbery and murder or due to the technical complexities the devices are sent to specialist central units. Skilled experts will use Office versions of XRY Logical, Physical, PinPoint, Cloud and XAMN Elements to reconstruct data.

XRY
Extract

Extract and recover forensic data

The .xry file format

The XRY-file holds evidence securely throughout the investigation process, from the initial acquisition through analysis to the final presentation.

.xry

XAMN
Analyse

Visualise and analyse data for examination

When combined, our products, platforms and services constitute a complete ecosystem for mobile forensics that supports our customers throughout the entire chain of custody. Regardless of the type of user, location, mobile device or environment – we have a tool designed to meet the special need. These solutions work in harmony to ensure the best workflow for all stakeholders, from the field via the lab and all the way to court.

5. Analyst Office

If the device is part of a bigger case with several examined devices, the evidence may need specialist analysis to review. XAMN Horizon creates an overview of how each device fits into the investigation using advanced data visualization.



7. Administration

Supervisors and IT staff want flexible, easy-to-manage mobile forensic systems, especially now that MSAB tools can be linked into networks. XEC Director gives supervisors control from one central location, so they can send watch lists as well as software and security updates, generate reports and monitor processes and users.

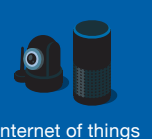
6. Court room

Evidence is often presented in court through printed reports. XAMN meets that need and can also be used to securely present evidence in its original digital form.

XEC
Manage
Efficient tools for management, administration and process

Sources of mobile data

MSAB Ecosystem supports the most important sources of mobile data.



A vision of a safer world with effective forensic tools

MSAB is a world leader in technology for securing evidence from mobile devices, with offices in Europe, the USA and Asia, and a network of distributors that spans the entire world. MSAB is a company with employees who are impassioned about contributing to a more legally secure society.

MSAB is a good supplier and partner for law enforcement agencies world-wide, and develops products, services and solutions that contribute to a more legally secure society. Our credibility as a company and partner is critical.

This means we ensure that our procurement procedures are fair, our employees are treated in accordance with principles of equal treatment, and that we have as much knowledge as possible about the working conditions and production methods of our suppliers. MSAB's product offering has been developed in close cooperation with law enforcement agencies. Hence, it is natural for the Company to combine efficient and profitable business operations with good ethics, accountability, and environmental protection.

Good business ethics

MSAB is a global company with sales on all continents. This presents opportunities and challenges, and sometimes requires that the Company take a stance. To ensure good business ethics, MSAB applies its own framework in addition to applicable laws and regulations. This framework is formulated in the Company's Code of Ethics and covers issues such as bribes, conflict of interest and personal behaviour. The Code aims to emphasize the basic principles upon which MSAB's business rests, as well as manage relations with 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 today there is a high level of diversity. The Company has guidelines for equal treatment of employees to counter discrimination as regards employment or tasks on the basis of gender, religion, age, sexual orientation, or other non-relevant distinguishing characteristics.

Environmental accountability and sustainable development

MSAB shall be a positive, contributing actor in areas which can impact the environment. The Company's business consists essentially of software development with limited environmental impact. However, our solutions contain some physical materials such as cables, hubs and bags. The majority of these are purchased in Asia, where we ensure that all products purchased are RoHS certified. This ensures, amongst other things, that the products meet EU environmental requirements. MSAB

has customers in over 100 countries. To manage this global customer base, we have local representation in 13 countries and cooperate with local distributors. Some meetings require the physical presence of MSAB representatives and this entails travel. The Company strives, however, to use alternative forms of communication, such as telephone and video conferencing, to minimise travel.

None of the Company's operations are subject to notifications or permits as described in the Swedish Environmental Code. Other important environmental aspects not mentioned above are resource and energy issues, and some waste products. Aspects that we consider in our daily work include:

- avoiding unnecessary waste of resources
- taking care of waste in a responsible way and recycling materials
- considering 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 and differs to some extent from the legal structure. The functional structure is based on management's assessment of how the business can be most efficiently run as regards innovation, decision-making, implementation and follow-up. The Company is organised into the following functions within the Group:

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

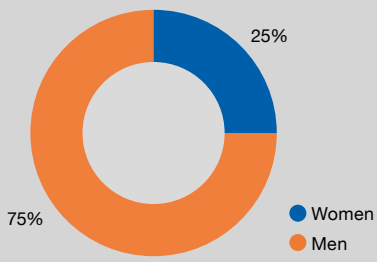
In addition to the Parent Company in Sweden, MSAB has subsidiaries in the UK, USA, Canada, Australia, Hong Kong, China, and Singapore, and representational offices in Russia.

Adaptation of the legal structure is reviewed as needed.

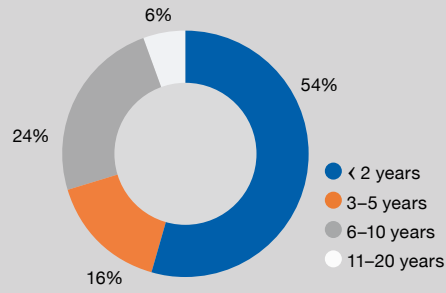
Common issues might be employment conditions in specific countries where MSAB deems it necessary to hire local staff and establish permanent premises. In early 2017, the Group had 121 employees. The number of employees at year-end was 145. The average number of employees for the year was 134 compared to 118 the previous year.

1) RoHS Directive (2002/95/EG)

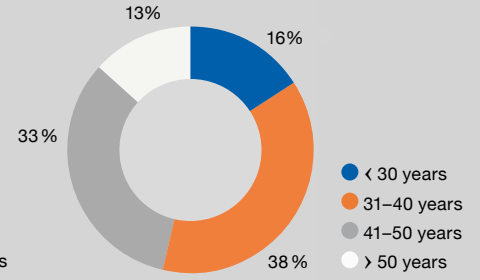
Percentage women/men



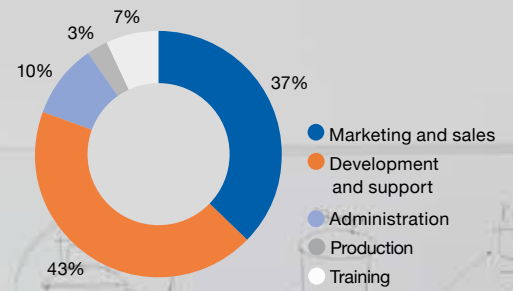
Length of employment



Age distribution



Employees per function



Our ambition is to support a democratic society founded on the rule of law

Few things have influenced our way of living to the extent that digitalisation and the internet have during the last few decades. Brilliant business ideas can become obsolete overnight and require fundamental change to survive.

For example, over the course of just a few years, banks have gone from an extensive network of branch offices to fully digitalised and cashless services. Commerce will soon take place primarily over the internet, which fundamentally alters the distribution industry and conditions for the commercial real estate market. It's difficult to find any aspect of our society that has not been affected.

Even public authorities have started down the road toward digitalisation, although many efforts have been clumsy and half-hearted. Today, the most efficient way to interact with the Swedish Social Insurance Agency is via the internet, and in 2016, 70 percent of tax declarations were submitted via the Swedish Tax Agency's website.

The police, along with the health care system, constitute the most important and fundamental operations within a welfare state. Perhaps that is precisely why the ability to innovate is often limited. Transforming structures and systems can pose great risks for individual position holders, while the driving forces that do dare are mediocre.

Today, the police are using our solutions to gather information from confiscated mobile phones. That is all well and good, but so far it has not led to criminal investigations where the police focus sharply on working with mobiles. Rather, it is just one of many available tools.

2018 is election year in Sweden. Law enforcement and security in our daily lives will be an important issue in the debate but so far proposals have been limited to more police and tougher sentences. This is the modern day equivalent of getting more horses and building more stables to deal with the emergence of automobiles into mainstream society. Unfortunately, the proposals are often just symbolic actions since knowledge of what would make a concrete difference is lacking. There is nothing in a criminal investigation that contributes as much pertinent information as the mobile phone. Hence, all pre-trial work must be guided by that knowledge. It means a new way of working, but the percentage of crimes solved will most certainly rise. Of course the police need new bullet proof vests and the possibility to use tasers. But above all, the police need a modern way to work with a focus on the analysis of relevant information at an early stage. A new methodology, one which permeates the process from the point when the crime is reported until it is solved, is necessary. We want to contribute with our knowledge, solutions and expertise to the change management process our police now face. This is not unique to Sweden. The situation is similar in many parts of the world.



Sometimes the impression is given that the mobile phone is only important when investigating cybercrime. The truth is that mobile phones are used in all criminal activity – in fraud and internet crime, as well in violent crimes, drug trafficking, robbery and burglary. That is also why it will be difficult for law enforcement to avoid the fact that mobile data is the epicentre of a successful criminal investigation.

But – and this is an important but – efficiency can sometimes stand at odds with the rule of law and personal integrity. Hence, we must also shoulder a responsibility to ensure that efficient investigations and law enforcement do not infringe upon human rights and fundamental principles of democracy. Our ambition is to support democratic societies founded on the rule of law and counter totalitarian and repressive governance throughout our geographic markets.

Stockholm, April 2018
Henrik Tjernberg
Chairman of the Board

A woman in a black uniform stands with her arms crossed next to a black car with its trunk open. The trunk is filled with various pieces of equipment, including a laptop, a tablet, and several black cases. The background is a concrete wall with some graffiti.

” Mobile data is the epicentre of a successful criminal investigation

The share and shareholders

MSAB's B share is listed on Nasdaq Stockholm Small Cap under the ticker symbol MSAB B. The share price on the last trading day of the year, 29 December 2017, was SEK 78.0. Share capitalisation was SEK 1,434 million.

Share capital

Share capital on 31 December, 2017 was SEK 3,816,400 spread over 19,082,000 shares with a quote value of SEK 0.2. The Company has three share classes, 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 A series share entitles the holder to ten votes and every B and C share entitles the holder to one vote. The number of shares in series A is 1,000,000 and in series B 17,460,000. 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 as of 31 December, 2017 was 3,309 compared with 3,103 the previous year. The ten largest shareholders in MSAB as of 31 December, 2017 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 2017-2020

On 10 May, 2017, MSAB's AGM decided to implement a long-term incentive programme for the Company's senior management and certain key persons (no more than 20 persons total). Participants are invited to subscribe for share warrants at fair market compensation (as per the Black & Scholes method). These entitle the holder to subscribe for new B series shares in the Company during the period 1 June, 2020 up to and including 31 August, 2020 at a price equal to 130 percent of the average volume-weighted closing price for the Company's B series shares for the period 11 May up to and including 24 May, 2017. The maximum number of share warrants that any programme participant is offered shall not exceed 40,000.

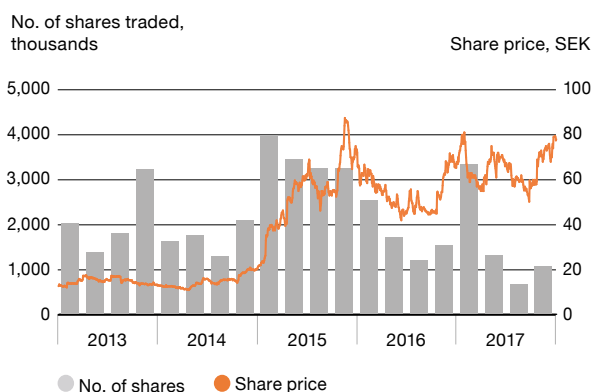
Share price trend

During the year, the share price fluctuated between SEK 50.25 and SEK 81.0 finishing at SEK 78.0 on the last trading day of the year. During the year, MSAB's share price increased 16 percent. For the same period, OMX Stockholm PI increased 6.4 percent. MSAB's market capitalisation at year-end was SEK 1,433.5 million.

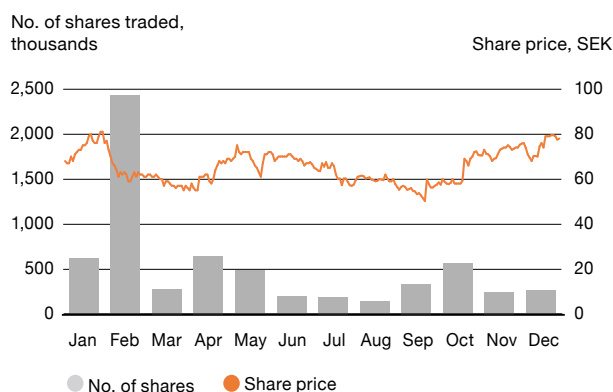
Dividend policy

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 capital for planned operations.

Share price trend and volumes 2013-2017



Share price trend and volumes 2017



The ten largest shareholders as of 31 December, 2017

Shareholder	Total no. of shares	A shares	B shares	C shares	% of capital	% of votes
Henrik Tjernberg	920,522	865,000	55,522	0	4.82	31.00
Edastra AB	1,631,900	135,000	1,496,900	0	8.55	10.14
Cooperatieve Rabobank U.A. Quartz	1,900,000	0	1,900,000	0	9.96	6.77
Swedbank Robur Ny teknik	1,498,446	0	1,498,446	0	7.85	5.34
Öhman Sweden Micro Cap	890,343	0	890,343	0	4.67	3.17
Handelsbanken svenska småbolag	878,582	0	878,582	0	4.60	3.13
Fjärde AP Fonden	877,623	0	877,623	0	4.60	3.13
Humle småbolagsfond	737,970	0	737,970	0	3.87	2.63
State Street Bank & Trust com., Boston	572,265	0	572,265	0	3.00	2.04
Länsförsäkringar Småbolag Sverige	551,959	0	551,959	0	2.89	1.97
The 10 largest shareholders	10,459,610	1,000,000	9,459,610	0	54.81	69.30
Micro Systemation AB	703,596	0	81,596	622,000	3.69	2.51
Other	7,918,794	0	7,918,794	0	41.50	28.20
Total	19,082,000	1,000,000	17,460,000	622,000	100.00	100.00

Share capital events up to 31 December, 2017

Year	Month	Transaction	Changes in no. shares	Total no. A shares	Total no. B shares	Total no. C shares	Total no. outstanding shares	Quote value	Changes in share capital, SEK	Total share capital, SEK
1984	June	Formation of Company		5,000			5,000	10.0		50,000
1998	February	Bonus issue 1:1	5,000	10,000			10,000	10.0	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	1.0	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	Reclassification	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
2016	March	New share issue	440,000	1,000,000	17,460,000	622,000	19,082,000	0.0	88,000	3,816,400

Ownership structure as of 31 December, 2017

Holdings	No. of shareholders	A shares	B shares	C shares	% of capital	% of votes
1-500	2,326	0	335,596	0	1.76	1.20
501-1,000	392	0	326,641	0	1.71	1.16
1,001-5,000	410	0	983,772	0	5.16	3.50
5,001-10,000	82	0	621,644	0	3.26	2.21
10,001-15,000	30	0	378,685	0	1.98	1.35
15,001-20,000	12	0	226,350	0	1.19	0.81
20,001-	57	1,000,000	14,587,312	622,000	84.95	89.77
Total	3309	1,000,000	17,460,000	622,000	100.00	100.00

Five-year Overview

	2017	2016	2015	2014	2013
Profit/loss, SEK thousands					
Net sales	301,763	242,355	226,912	180,971	137,532
Operating expenses	-232,993	-183,947	-170,460	-166,863	-129,618
EBIT	68,770	58,408	56,452	14,108	7,914
Net financial income/expense	858	2,163	2,207	623	1,417
Profit before tax	69,628	60,571	58,659	14,731	9,331
Tax	-16,738	-15,335	-13,526	-4,347	-2,488
Profit/loss for the year	52,890	45,236	45,133	10,384	6,843
Balance sheet, SEK thousands					
Non-current assets	2,042	2,816	4,018	4,464	3,543
Other current receivables	70,779	53,290	52,038	56,431	40,780
Cash and cash equivalents	127,430	123,199	103,697	65,541	50,259
Total assets	200,250	179,305	159,753	126,436	94,582
Equity	114,608	104,415	90,851	63,232	48,230
Other current liabilities	85,642	74,890	68,902	63,204	46,352
Total equity and liabilities	200,250	179,305	159,753	126,436	94,582
Cash flow, SEK thousands					
Cash flow before changes in working capital	49,149	52,487	46,749	22,968	2,037
Cash flow from changes in working capital	-1,295	-342	10,818	-8,218	15,773
Cash flow from operating activities	47,854	52,145	57,567	14,750	17,810
Cash flow from investing activities	-874	-655	6,807	-565	-508
Cash flow from financing activities	-40,172	-32,574	-17,462	-1,451	-10,632
Cash flow for the year	6,808	18,916	46,912	12,734	6,669
Key figures					
Net sales, SEK millions	301.8	242.4	226.9	181.0	137.5
Net sales growth, &	24.5	6.8	25.4	31.6	0.7
EBIT, SEK millions	68.8	58.4	56.4	14.1	7.9
EBIT margin, %	22.8	24.1	24.9	7.8	5.8
Earnings per share*, SEK (after dilution)	2.88	2.46	2.48	0.58	0.39
Return on equity, %	48.3	46.3	58.6	18.6	13.6
Return on capital employed, %	68.3	63.9	84.0	30.8	20.1
Equity/assets ratio, %	57.2	58.2	56.9	50.0	51.0
Liquidity ratio, %	196.2	230.7	216.5	181.7	183.4
Net worth per share, SEK	6.24	5.68	4.99	3.53	2.72
Dividend per share, SEK	2.20	2.20	1.00	0.10	1.00
Cash flow from operating activities per share, SEK	2.60	2.84	3.16	0.83	1.01

Reconciliation of measurements not defined as per IFRS	2017	2016	2015	2014	2013
Capital employed, SEK millions					
Total assets	200.3	179.3	161.0	126.4	94.6
Trade payables	-5.0	-4.6	-5.0	-12.7	-7.1
Current tax liabilities	-3.6	-6.2	-1.4	-2.0	-2.4
Other liabilities	-77.0	-64.1	-62.6	-48.5	-36.8
Capital employed	114.6	104.4	92.0	63.2	48.3
Average capital employed	109.5	98.2	77.6	55.7	50.9

Definitions

The Company presents certain financial metrics in its interim reports that are not defined under IFRS. The Company believes these metrics provide useful, supplemental information to investors and Company management as they allow for evaluation of the Company's performance.

Key figures	Definition/calculation	Utilisation
EBIT (operating profit)	Net sales less operating expenses	Indicates the Company's profitability in current operations
EBIT margin (operating margin)	EBIT (operating profit) in relation to net sales	Indicates the degree of profitability in current operations
Earnings per share *	Profit/loss after tax in relation to average number of outstanding shares after dilution.	Measure of the Company's profitability after tax per share. This indicator is greatly significant when evaluating share value.
Return on equity	Profit/loss after tax in relation to average adjusted equity	Earning capacity of equity demonstrates the total return on owners' capital from an accounting perspective and reflects business profitability and financial leverage. The measure is mainly used to analyse owner profitability over time.
Return on capital employed	EBIT (operating profit) plus financial income in relation to average capital employed	Earning capacity of capital employed demonstrates how well the business uses capital tied up in operations. Used to measure consolidated profitability over time.
Equity ratio	Equity in relation to total assets	This key figure demonstrates the proportion of assets financed through equity and can be used as an indicator of the Company's long-term solvency
Cash flow from operations/share	Cash flow from operations in relation to average number of outstanding shares after dilution	Measures the Company's cash generation relative to the number of shares, i.e. from a shareholder perspective
Equity per share	Equity in relation to number of shares at end of period	Measures the Company's net value per share
Average equity	Average equity during a 12-month period. Equity at beginning of period plus equity at end of period divided by two.	Measures the Company's net value
Capital employed/average capital employed	Capital employed is calculated as total assets less non-interest-bearing liabilities. Average capital employed is calculated as capital employed over a 12-month period. Capital employed at beginning of period plus capital employed at end of period divided by two.	Capital consists of those funds made available to the Company by shareholders and lenders. It shows the net capital invested in operations plus financial assets.
Revenue growth, %	Increase or decrease in sales expressed in percent relative to the corresponding period the previous year	An indicator of the demand trend for the Company's products
Recurring revenue	Refers to revenue from license renewals, i.e. when a license expires, a customer can choose to renew the license which generates revenue.	Recurring revenues are an important aspect of the Company's business model and provide financial stability. This key figure indicates to what degree.
Net financial items	Net financial income and expenses	Net reporting of financial income and expenses – provides a simplified view of their impact on profit/loss.
Quick asset ratio, %	Current assets less goods for resale in relation to current liabilities	An indicator of the Company's short-term solvency
Net worth per share, SEK	Assets less liabilities in relation to number of outstanding shares	An indicator of the Company's net value from an owner perspective

* Defined in accordance with IFRS

Report of the Directors

Operations

MSAB is engaged in product development, production, sales and marketing of solutions within the area of mobile digital forensics. MSAB was founded in 1984. The B share has been listed since 1999 and listed on Nasdaq Stockholm since December 2011. The XRY product is used to extract and present data from digital devices, primarily mobile phones. In practical terms, this means that as much as possible user-specific information contained in 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 efficiently identify links between the different devices. The Company also provides various hardware configurations depending on the environment in which the customer is active. The products are used mainly by police, military and intelligence agencies world-wide and are effective tools for securing evidence. The products are sold directly by the Company and through partners, depending on where in the world the sale takes place. The products have been sold in over 120 countries and together they support over 20,000 device profiles. The need to extract data from confiscated mobile phones is increasing continuously. Hence, MSAB's products meet a large and significant need.

Significant events in 2017

- In April, XAMN Spotlight 2.0 was launched, an analysis tool for use mainly by criminal investigators.
- In June, MSAB announced that cooperation with the global IT company Nuix, which has a digital platform for criminal investigators, had been initiated. Together, MSAB and Nuix will be able to provide efficient tools for managing digital evidence.
- The 2017 AGM approved a dividend to shareholders of SEK 2.20 per share.
- In September, a significant order to a European agency consisting of a solution including Newsstand and XEC was announced.
- The Board of Directors will propose to the 2018 AGM a dividend of SEK 2.2 per share.

Profit/loss and financial position

For definitions of key figures, refer to the Five-year Overview on page 20.

	2017	2016	2015
Net sales, SEK millions	301.8	242.4	226.9
EBIT, SEK millions	68.8	58.4	56.4
EBIT margin,%	22.8	24.1	24.9
Profit/loss before tax, SEK millions	69.6	60.6	58.6
Balance sheet total, SEK millions	200.2	179.3	159.8
Equity/assets ratio,%	57.2	58.2	56.9
Return on equity, %	48.3	46.3	58.6
Average no. of employees	134	117	109

Comments on financial performance

Consolidated net sales for the year increased 24.5 percent to SEK 301.8 (242.4) million. In local currencies, sales increased by 25.5 percent.

Expenses for goods for resale for the year were SEK 30.1 (19.1) million. The increase in expenses was primarily due to increased sales of Kiosk and Field versions, which contain more hardware compared to the Company's average sales. Other external expenses for the year amounted to SEK 65.9 (51.4) million. A greater focus on marketing activities during the year is the primary cause behind the increase in expenses. Personnel expenses reached SEK 135.6 (111.8) million for the year. The increase was driven by a rise in the number of employees and associated recruitment costs, primarily within sales and marketing as well as development.

EBIT for the year amounted to SEK 68.9 (58.5) million, corresponding to an EBIT margin of 22.8 (24.1) percent. In local currencies, the EBIT margin was 23.2 percent. Net financial income/expense was SEK 0.8 (2.2) million for the year. Net financial income/expense consisted primarily of revaluation of cash and cash equivalents in foreign currencies. Revenues and expenses are matched in the same currencies to the extent possible. Profit after tax was SEK 53.0 (45.4) million for the year.

Markets

North America

Growth in 2017 was 20 (10) percent where federal customers accounted for most of the revenue and a considerable portion of sales were for the Field Version system. Local state police authorities still represent a small part of the region's total sales, but the trend is favourable with additional potential.

EMEA & Latin America

During the year, sales for the region grew 39 (6) percent. The majority of markets in the region contributed to this growth, but the larger deal for Kiosk solutions that the Company announced during the third quarter contributed significantly.

Asia & CIS (Commonwealth of Independent States)

Compared to the previous year, the region's sales grew 1 (39) percent. Most markets in the region have developed well due to efforts made there. The year's growth should be seen in relation to the fourth quarter of 2016 when a single, larger order of about SEK 11 million was announced.

Research and development

At the end of the 2017, the development department, together with the test and support departments, consisted of a total of 63 persons. A large part of efforts within the development department are devoted to maintaining and adding support for new mobile devices and applications. The market for mobile phones is fast-paced with new functions and application areas being added continuously. Thus, it is essential that the Company's products are continuously adapted to meet these conditions,

so we remain a competitive alternative for criminal investigative authorities. During this past year, refinement of existing products continued with several product updates. It is the Company's assessment that all expenses attributable to development efforts should be expensed in their entirety as they occur, as the criteria for capitalisation stipulated in IAS38 have not been met. The cost of research and development totalled SEK 51.3 (44.0) million.

Financial position

Cash flow from operating activities amounted to SEK 47.8 (52.2) million for the year. The long-term receivable of SEK 4.3 million is accrued revenue attributable to the major European order received in the third quarter where part of the payment will be made over a two-year period. During the year, dividends in the amount of SEK 40.4 (40.4) million were paid out. Share warrants subscribed during the year contributed SEK 0.3 million to the Company. Cash and cash equivalents at year-end amounted to SEK 127.4 (123.2) million. The equity ratio at year-end was 57.2 (58.2) percent.

Parent Company

The Parent Company's net sales for the full year amounted to SEK 226.5 (184.1) million. EBIT for the year was SEK 58.6 (52.8) million. Investments for the year totalled SEK 0.8 (0.7) million. The number of employees in the Parent Company was 107 (90) 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 and currency risk. MSAB's Board of Directors is ultimately responsible for handling and monitoring the Group's financial risks. The framework for handling and monitoring of financial risks is established by the Board of Directors and described in Note 4. Currency risk represents the most significant financial risk, while interest rate, 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. In 2017, the Group's export sales in foreign currencies reached approximately 97 (98) percent of total sales. The 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), the Singapore dollar and the Chinese renminbi (CNY).

Personnel

The average number of employees was 134 (118) of which 25 (28) percent were women. At year-end, the number of employees was 145 (121).

Profit-sharing

In 2006, the Board of Directors launched a profit-sharing programme for all employees except for the CEO and CTO. The

objective of the programme is to motivate, stimulate and reward employees for efforts which lead 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. For additional information, see Note 2.

Incentive programmes

Long-term incentive programme 2015-2018

On 6 May 2015, MSAB'S AGM approved implementation of a long-term incentive programme for the Company's senior position holders and certain key persons excluding CEO Joel Bollö and Deputy CEO Örjan Gatu with the main conditions as follows. Participants were 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 2017-2020

On 10 May, 2017, MSAB's AGM decided to introduce a long-term incentive programme for the Company's senior position holders and certain key persons (maximum 20 persons). Participants shall be invited to subscribe for share warrants at fair market compensation (as per the Black & Scholes model). These share warrants entitle the holder to subscribe for new B series shares, during the period 1 June, 2020 up to and including 31 September, 2020 at a price equal to 130 percent of the average volume-weighted closing price for the Company's B series shares during the period 11 May up to and including 24 May, 2017. The maximum number of share warrants that any programme participant is offered shall not exceed 40,000.

Board of Directors and CEO

MSAB's Board of Directors consists of six members. During the year the Board held ten meetings (documented in meeting minutes). The Board is kept continually informed of Company developments between meetings. The Board acts in accordance with the Procedural Plan, 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 on pages 49-51 of this annual report.

Proposals for guidelines for remuneration of senior position holders

The Company shall offer remuneration and other employment conditions that allow the Company to recruit, motivate and

retain senior position holders with the competencies that the Company needs to execute its strategy and achieve its operational objectives.

The overall principles for remuneration to senior position holders shall be founded on market conditions and based on position, individual performance, consolidated earnings and that the remuneration is competitive. Total remuneration to senior position holders shall consist of fixed salary and variable remuneration based on attainment of incentive-based performance targets.

For variable remuneration paid in cash, a maximum amount must be determined. Variable remuneration in the form of share and share-related incentive programmes shall be designed to achieve an increased sense of shared interest between the participating holders and the Company's shareholders and promote long-term value creation.

Pension terms shall be founded on market conditions relative to holders of similar positions and where the position holder is active. Additionally, conditions for termination and severance pay shall apply.

The Board of Directors shall have the right to deviate from the proposed guidelines on special grounds. For additional information, see Note 8.

The share

Share capital in MSAB amounts to 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 and B is 1,000,000 and 17,460,000 respectively. The number of shares of 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. Shareholders attending the AGM are entitled to vote for the full number of shares they hold without any restrictions on the right to vote. 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 record day provision 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 offer. 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 development 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, 97 percent of income is from sales in foreign currencies. To reduce currency risk, MSAB utilises currency hedging in accordance with the financial policy established by the Board. At year-end 2017, there was no currency hedging in place.

Proposal for profit distribution

Parent Company

The AGM has at its disposal, the following earnings (SEK):

Profit brought forward from previous year	25,556,355
Profit for the year	46,776,191
Total	72,332,546

The Board and CEO propose a dividend of

SEK 2.2 per share to shareholders	40,432,489
New account carried forward	31,900,057
Total	72,332,546

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

Based on the Company's strong financial position, positive results and strong cash balance, 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 meet its obligations in the short- or long-term. Neither does the proposed dividend have any significant impact on the Company's key ratios. Against the above background, 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 established dividend policy. As regards Parent Company and Group 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	2017	2016
Net sales	5	301,763	242,355
Operating income		301,763	242,355
Goods for resale		-30,141	-19,147
Other external expenses	6, 7	-65,941	-51,387
Personnel expenses	8	-135,646	-111,807
Depreciation	13, 14	-1,265	-1,606
Operating expenses		-232,993	-183,947
EBIT		68,770	58,408
Financial income	9	6,015	8,056
Financial expenses	10	-5,157	-5,893
Net financial income/expense		858	2,163
Profit/loss before tax		69,628	60,571
Tax	11	-16,738	-15,335
Profit/loss for the year		52,890	45,236
Profit/loss for the year attributable to:			
Holders with no controlling interests		-	-
Holders of shares in Parent Company		52,890	45,236
Earnings per share before dilution, SEK	12	2.88	2.47
Earnings per share after dilution, SEK		2.88	2.46
Total no. outstanding shares before dilution, thousands		18,378	18,378
Total no. outstanding share after dilution, thousands		18,379	18,378
Average no. outstanding shares before dilution, thousands		18,378	18,268
Average no. outstanding shares after dilution, thousands		18,379	18,346

Statement of Comprehensive Income		
Group, SEK thousands	2017	2016
Profit/loss for the year	52,890	45,236
Other comprehensive income:		
Foreign exchange differences	-2,845	872
Tax on foreign exchange differences	320	55
Items to be reclassified to profit/loss:		
Cash flow hedges	-	-25
Tax on items in other comprehensive income	-	-
Comprehensive income for the year	50,365	46,138
Comprehensive income for the year attributable to Parent Company shareholders	50,365	46,138

Balance Sheet			
Group, SEK thousands	Note	2017-12-31	2016-12-31
ASSETS			
Intangible assets	14	302	432
Inventory, equipment, and fixtures and fittings	13	1,646	1,907
Deferred tax assets	11	93	477
Other long-term receivables		4,297	–
Total non-current assets		6,338	2,816
Finished goods and goods for resale		5,959	3,735
Trade receivables	16	45,810	41,302
Other receivables		2,243	1,501
Prepaid expenses and accrued income	17	12,470	6,752
Cash and cash equivalents	18	127,430	123,199
Total current assets		193,912	176,489
TOTAL ASSETS		200,250	179,305
EQUITY AND LIABILITIES			
Share capital	19	3,816	3,816
Other contributed capital		28,058	28,058
Reserves		-467	2,058
Retained profit including the year's profit/loss		83,201	70,483
Total equity attributable to Parent Company shareholders		114,608	104,415
Trade payables		4,987	4,593
Tax liabilities	11	3,621	6,206
Other liabilities		6,798	4,566
Accrued expenses and deferred income	20	70,236	59,525
Total current liabilities		85,642	74,890
TOTAL EQUITY AND LIABILITIES		200,250	179,305

Changes in equity

Group, SEK thousands	Share capital	Other contributed capital	Translation reserve	Cash flow hedges	Retained earnings	Total equity
2016						
Opening balance, equity 2016-01-01	3,728	20,288	1,131	25	65,679	90,851
Comprehensive income for the year	–	–	902	–	45,236	46,138
Total profit/loss for the year	0	0	902	0	45,236	46,138
Transactions with shareholders:						
New share issue, conversion of share warrants	88	7,770	–	–	–	7,858
Dividends	–	–	–	–	-40,432	-40,432
Closing balance, equity 2016-12-31	3,816	28,058	2,033	25	70,483	104,415
2017						
Opening balance, equity 2017-01-01	3,816	28,058	2,033	25	70,483	104,415
Comprehensive income for the year	–	–	-2,525	0	52,890	50,365
Total profit/loss for the year	0	0	-2,525	0	52,890	50,365
Transactions with shareholders:						
New share issue, conversion of share warrants	–	–	–	–	-40,432	-40,432
Dividends	–	–	–	–	-40,432	-40,432
Issuance of share warrants	–	–	–	–	260	260
Closing balance, equity 2017-12-31	3,816	28,058	-492	25	83,201	114,608

Cash flow analysis

Group, SEK thousands	Note	2017	2016
Operating activities			
Profit/loss before tax		69,628	60,571
Adjustments for items not included in cash flow	21	-1,430	2,520
Income tax paid		-19,049	-10,604
Cash flow from operating activities before changes in working capital		49,149	52,487
Cash flow from changes in working capital			
Changes in inventory		-2,224	1,476
Changes in operating liabilities/receivables		-12,573	-2,981
Changes in operating liabilities		13,502	1,163
Cash flow from operating activities		47,854	52,145
Investing activities			
Investments in current assets		-874	-655
Cash flow from investing activities		-874	-655
Financial activities			
Dividends paid		-40,432	-40,432
New share issue, conversion of share warrants		–	7,858
Issuance of share warrants		260	–
Cash flow from financing activities		-40,172	-32,574
Cash flow for the year		6,808	18,916
Cash and cash equivalents at the beginning of the year		123,199	103,697
Translation differences in cash and cash equivalents		-2,577	586
Cash and cash equivalents at year-end	18	127,430	123,199

The Parent Company

Income Statement			
Parent Company, SEK thousands	Note	2017	2016
Net sales	5	226,477	184,145
Operating income		226,477	184,145
Goods for resale		-30,142	-19,147
Other external expenses	6, 7	-44,139	-34,092
Personnel expenses	8	-92,651	-76,478
Depreciation	13, 14	-1,044	-1,566
Operating expenses		-167,976	-131,283
EBIT		58,501	52,862
Financial income	9	6,591	10,386
Financial expenses	10	-5,034	-5,817
Net financial income/expense		1,557	4,569
Profit/loss before tax		60,058	57,431
Tax	11	-13,281	-12,241
Profit/loss for the year		46,777	45,190

Statement of Comprehensive Income			
Parent Company, SEK thousands		2017	2016
Profit/loss after tax		46,777	45,190
Other comprehensive income			
Cash flow hedges		-	-25
Comprehensive income for the year		46,777	45,165

Balance Sheet

Parent Company, SEK thousands	Note	2017-12-31	2016-12-31
ASSETS			
Intangible assets	14	302	432
Inventory, equipment, and fixtures and fittings	13	1,646	1,776
Participations in Group companies	15	13	13
Other long-term receivables		4,297	–
Total non-current assets		6,258	2,221
Finished goods and goods for resale		5,959	3,735
Trade receivables	16	22,086	26,509
Intra-Group receivables	16	11,995	5,239
Other receivables		2,073	1,346
Pre-paid expenses and accrued income	17	12 324	6,646
Cash, bank		87,472	90,082
Total current assets		141,909	133,557
TOTAL ASSETS		148,167	135,778
EQUITY AND LIABILITIES			
Restricted equity			
Share capital	19	3,816	3,816
Statutory reserve		20,288	20,288
Non-restricted equity			
Cash flow hedges		-7	-7
Share premium reserve		7,770	7,770
Profit/loss carried forward		17,793	12,775
Profit/loss for the year		46,776	45,190
Total equity		96,436	89,832
Trade payables		4,536	4,225
Intra-Group liabilities		–	117
Tax liabilities	11	2,806	5,085
Other liabilities		4,147	2,460
Accrued expenses and deferred income	20	40,242	34,059
Total current liabilities		51,731	45,946
TOTAL EQUITY AND LIABILITIES		148,167	135,778

Changes in equity

Parent Company, SEK thousands	Restricted equity		Non-restricted equity				Total equity
	Share capital	Statutory reserve	Cash flow hedges	Share premium reserve	Retained earnings	Profit for the year	
2016							
Opening balance, equity 2016-01-01	3,728	20,288	18	–	13,836	39,371	77,241
Disposition of last year's profit	–	–	–	–	39,371	-39,371	0
Profit for the year	–	–	–	–	–	45,190	45,190
Other comprehensive income	0	0	-25	–	0	0	-25
Comprehensive income for the year	0	0	-25	–	0	45,190	45,165
Transactions with shareholders:							
New share issue, conversion of share warrants	88	–	–	7,770	–	–	7,858
Dividends	–	–	–	–	-40,432	–	-40,432
Closing balance, equity 2016-12-31	3,816	20,288	-7	7,770	12,775	45,190	89,832
2017							
Opening balance, equity 2017-01-01	3,816	20,288	-7	7,770	12,775	45,190	89,832
Disposition of last year's profit	–	–	–	–	45,190	-45,190	0
Profit for the year	–	–	–	–	–	46,776	46,776
Other comprehensive income	0	0	0	–	0	0	0
Comprehensive income for the year	0	0	0	–	0	46,776	46,776
Transactions with shareholders:							
New share issue, conversion of share warrants	–	–	–	–	260	–	260
Dividends	–	–	–	–	-40,432	–	-40,432
Closing balance, equity 2017-12-31	3,816	20,288	-7	7,770	17,793	46,776	96,436

Cash flow analysis

Parent Company, SEK thousands	Note	2017	2016
Operating activities			
Profit/loss before tax		60,058	57,431
Adjustments for items not included in cash flow	21	1,044	1,567
Income tax paid		-15,560	-14,857
Cash flow from operating activities before changes in working capital		45,542	44,141
Cash flow from changes in working capital			
Changes in inventory		-2,224	1,476
Changes in operating receivables		-13,036	-6,855
Changes in operating liabilities		8,064	11,650
Cash flow from operating activities		38,346	50,412
Investing activities			
Investments in non-current assets		-784	-612
Investments in subsidiaries		–	-6
Cash flow from investing activities		-784	-618
Financing activities			
Dividends paid		-40,432	-40,432
New share issue, conversion of share warrants		–	7,858
Issuance of share warrants		260	–
Cash flow from financing activities		-40,172	-32,574
Cash flow for the year		-2,610	17,220
Cash and cash equivalents at beginning of year		90,082	72,862
Cash and cash equivalents at year-end	18	87,472	90,082

Notes

Note 1 General information

Micro Systemation AB (publ) "MSAB", with Corporate ID no.556244-3050, is a listed company registered in Sweden with headquarters 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 15 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, 2017 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 for 2017

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, 2017, have not yet been applied by the Group. New and revised standards and interpretations which are assessed as having an impact on 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 shall be applied as of 1 January, 2018. IFRS 15 is a model for revenue recognition for almost all revenues that arise from contracts with customers, apart from 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.

The Company has analysed the effect of this standard and concluded that it entails no significant changes relating to when the Company recognises revenues. The new standard affects that proportion of revenue which is distributed over a period of time based on contract length (1–3 years), where the distributed proportion for a one-year contract has increased but decreased for two- and three-year contracts. Composition of the contract at the time of transition does not entail any significant difference on when revenues are recognised. Thus, in all material aspects, IFRS 15 only involves extended disclosure requirements. The Group will be applying IFRS 15 retroactively for 2017.

IFRS 16 Leases, issued on 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. Hence 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 Financial Instruments: Recognition and Measurement.

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. Analysis leads to the assessment that IFRS 9 does not affect the Company's reporting and only involves extended disclosure requirements.

It is the Company management's assessment that other new and revised standards and interpretations not yet in effect will not significantly impact 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 a 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. If 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 preparation 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.

Note 2 continued

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 acquirer in exchange for controlling influence 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 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 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 and other services are recognised as revenue in the period in which the service was performed.

Sales agreements with multiple elements

MSAB's sales consist of an integrated package where customers buy products through a license which gives them unlimited rights to use the products during a defined license period. Additionally, MSAB also offers a time-limited service for support and product updates, i.e. a sales transaction which contains multiple elements. 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 update agreement elements that correspond to fair value of that element 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 elements in a way that reflects their fair value.

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 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.

Leasing agreements

A financial leasing agreement is an agreement under which the financial risks and rewards associated with ownership of an object are essentially transferred from the lessor 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 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 constitute 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 liabilities in the foreign operation itself and translated at the exchange rate on the closing date.

Note 2 continued

Employee remuneration

Remuneration to employees in the form of salaries, paid sick leave, etc., as well as pensions, are recognised as they are 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 are therefore recognised as a current liability.

Incentive programmes

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) 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 goodwill or when determining the size of any excess amount that arises if the fair value of the acquired share of the acquirer's identifiable assets, liabilities and contingent liabilities exceed the purchase price 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
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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
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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 the operating profit.

Research and development

Expenditures for research and development are expensed as they occur. Expenditures 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.

Note 2 continued

- 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 an expense are not recognised as an asset in the subsequent period. Capitalised development expenses 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.

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 in one of the following Notes.

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 includes 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 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 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.

Accounting principles 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 principles

Revisions to RFR 2 Accounting for Legal Entities which entered into force for accounting year 2017 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 assessments, estimates and assumptions that affect the application of accounting principles 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. The Group reports income in accordance with IAS 18, which is the IFRS standard for revenue recognition. According to

this standard, revenue should be reported when it is likely that financial benefits will accrue to the seller and these can be calculated reliably. Revenue is booked in accordance with the principles set out in Note 2. The Group's sales agreements in most cases contain delivery of different sub-components, so-called multiple elements, and in these cases the Group has made a breakdown based on estimated fair values so that the reporting of revenue makes clear the financial meaning of the transaction. The multiple elements relate to the Group's commitment to customers to provide support and product updates. The estimated resources needed to deliver these commitments are the basis for the valuation of the various multiple elements which are significant for revenue recognition.

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

Market risk Currency risk

Currency risk refers to the risk that 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 recalculation 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 2017, approximately 97 (96) percent were export sales and sales through foreign subsidiaries in foreign currencies. Inflows in 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 essential. MSAB applies hedge accounting from time to time and uses forward contracts to minimise larger currency fluctuations. At year-end 2017, the Company held no forward contracts.

Translation exposure

Translation exposure occurs primarily when translating asset and liability posts in foreign currencies, and income statements and balance sheets for foreign subsidiaries, to SEK. Currency fluctuations can have a negative impact 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 translated to SEK thousands in the table):

	The Group		The Parent Company	
Market risk, SEK thousands	2017	2016	2017	2016
Currency				
AUD	1,698	127	564	294
CAD	1,066	451	552	390
EUR	18,333	22,855	18,296	22,855
GBP	3,401	2,895	4,530	4,719
HKD	0	0	1,972	2,140
SGD	50	288	3,203	1,238
USD	17,498	11,320	1,201	-3,254
Total trade receivables in foreign currencies	42,047	37,936	30,318	28,382
SEK	3,764	3,366	3,764	3,366
Total trade receivables	45,810	41,302	34,081	31,748

A change of +/-5 percent in relevant exchange rates relative to Swedish kronor would entail an impact on the consolidated profit/loss for respective currencies: USD - SEK 875 (566) thousand; EUR - SEK 917 (1,143) thousand; GBP - SEK 170 (145) thousand. For the Parent Company, the corresponding impact on profit/loss is: USD - SEK 60 (163) thousand; EUR - SEK 915 (1,143) thousand; GBP - SEK 227 (236) thousand.

Note 4 continued

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's 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.

Liquidity and financing risk

Liquidity 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. The Group's 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 Parent Company's financial liabilities are listed in the table below:

Liquidity and Financing risk, SEK thousands	The Group					The Parent Company				
	Within 3 months	3–12 months	1–5 years	Over 5 years	Total	Within 3 months	3–12 months	1–5 years	Over 5 years	Total
Trade payables	4,987	0	0	0	4,987	4,536	0	0	0	4,536
Other liabilities	6,798	–	–	–	6,798	4,147	–	–	–	4,147
Total	11,785	0	0	0	11,785	8,683	0	0	0	8,683

Credit risk

Credit risk refers to a counter-party 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 exclusively criminal investigative authorities and to a lesser extent private companies. Credit risk is assessed as low in the majority of business transactions. 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 to identify warning signals at an early stage. A credit rating is always performed before the Company enters into new sales partnerships, after which their financial situation is monitored on an on-going basis to identify warning signals. The Group may also establish credit limits for partners, or require bank guarantees for larger contracts. To further minimise credit

risk, the Group can 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 2017 are listed in Note 16. 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 booked value of all financial assets and is listed in the table below:

Credit risk, SEK thousands	The Group		The Parent Company	
	2017	2016	2017	2016
Trade receivables	45,810	41,302	34,081	31,748
Other receivables	2,243	1,501	2,072	1,346
Equity	127,430	123,199	87,472	90,082
Maximum exposure for credit risk	175,483	166,002	123,625	123,176

Concentration risk

Trade receivables consist primarily of a smaller number of major customers with a high credit rating. The ten largest customers accounted for 32 (35) percent of total revenue. Approximately 46 (41) percent of consolidated sales occur on the European market, of which the UK represents the single largest geographic exposure. North America accounts for 41 (43) 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, decision-making 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, and for a given period, a 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 total net sales. In 2017, no one customer accounted for 10 percent or more of the Company's total net sales. In Note 16, there is an age analysis of the Group's and 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 2017, consolidated equity was SEK 114,608 (104,415) thousand. The Company's objective regarding 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, issuance of shares or sales of assets are all examples of measures the Group can take to adjust capital structure. 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 maintaining 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 above to the right:

Note 4 continued

	The Group		The Parent Company	
Categorisation of financial instruments, SEK thousands	2017	2016	2017	2016
FINANCIAL ASSETS				
Loans and trade receivables				
Trade receivables	45,810	41,302	34,081	31,748
Cash and cash equivalents	127,430	123,199	87,472	90,082
Assets measured at fair value and held for trading				
Fixed income funds	-	-	-	-
Currency derivatives	-	-	-	-
TOTAL FINANCIAL ASSETS	173,240	164,501	121,553	121,830
FINANCIAL LIABILITIES				
Other financial liabilities				
Trade payables	4,987	4,593	4,536	4,342
Liabilities measured at fair value and held for trading				
Currency derivatives	-	-	-	-
TOTAL FINANCIAL LIABILITIES	4,987	4,593	4,536	4,342

There were no reclassifications between the valuation categories above during the period.

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

Fair value measurement

Measurement of fair value takes place according to a valuation hierarchy 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 recognised at fair value:

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

	The Group		The Parent Company	
Fair value measurement, SEK thousands	2017	2016	2017	2016
LEVEL 1				
Financial assets				
Fixed income funds	-	-	-	-
Total	-	-	-	-
Level 2				
Financial assets				
Currency derivatives	-	-	-	-
Total	-	-	-	-
Financial liabilities				
Currency derivatives	-	-	-	-
Total	-	-	-	-

	The Group		The Parent Company	
Net gains/losses for each category of financial instrument SEK thousands	2017	2016	2017	2016
Loans and trade receivables				
Currency gains	267	250	256	174
Currency losses	-14	-463	-	-351
Other financial liabilities				
Currency gains	5,631	7,698	5,574	7,698
Currency losses	-4,760	-5,652	-4,760	-5,652
Total	1,123	1,834	1,070	1,870

Note 5 Operating income

SEK thousands	The Group		The Parent Company	
	2017	2016	2017	2016
Sale of goods	276,861	224,323	218,316	177,218
Sale of services	24,902	18,032	8,160	6,927
Total	301,763	242,355	226,477	184,145
Geographical information				
EMEA & Latin America*	137,351	98,554	119,182	87,832
Asia & Russia	40,760	40,455	36,096	35,459
North America	123,652	103,345	71,199	60,854
Total	301,763	242,355	226,477	184,145
*Of which Sweden	5,249	5,079	5,249	5,079

Distribution of the Group's fixed assets

The Group's fixed assets are distributed as follows: EMEA & Latin America SEK 1,961 (2,221) thousand; Asia & Russia SEK 0 (0) thousand; North America SEK 0 (131) thousand.

Information on intra-group purchasing and sales

Purchasing and sales from the Parent Company to other Group companies amounted to SEK 114,231 (90,541) thousand for sales and SEK 0 (0) thousand for purchasing.

Currency exposure

Of total consolidated net sales, SEK 267 (250) thousand related to foreign exchange differences attributable to translation of trade receivables. Impact on profit was SEK 1,123 (1,834) thousand

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 operational organisation 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. Against this background, the Group recognises no operating segments in the financial statements.

Note 6 Disclosure of auditor's fees and expenses

SEK thousands	The Group		The Parent Company	
	2017	2016	2017	2016
Auditing services, Deloitte	320	310	320	310
Other audit assignments, Deloitte	–	50	–	50
Tax consultancy, Deloitte	–	38	–	38
Auditing services, other	92	80	–	–
Total	412	478	320	398

Note 7 Operational leasing

The year's cost for operational leases related to vehicles and rent and amounted to SEK 7,761 (6,672) thousand for the Group and SEK 6,421 (5,228) thousand for the Parent Company. At balance sheet date, the

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

SEK thousands	The Group		The Parent Company	
	2017	2016	2017	2016
Within a year	7,354	6,503	6,724	5,420
Within two to five years	6,227	10,355	6,227	9,566
Total	13,581	16,858	12,951	14,986

Note 8 Salaries, other remuneration and social fees

	2017		2016	
	Total	Of which men	Total	Of which men
Average no. of employees				
The Parent Company				
Sweden	99	68	87	61
Group subsidiaries				
USA	21	15	18	13
United Kingdom	9	7	8	5
Canada	1	1	1	1
Australia	1	1	1	1
Hong Kong	–	–	–	–
China	2	1	2	1
Singapore	1	1	1	1
Total	134	94	118	83

	Total	Of which men	Total	Of which men
Gender distribution of senior position holders				
The Parent Company				
Members of the Board of Directors	6	5	6	5
Other senior position holders	2	2	2	2
Total in the Parent Company ¹	8	7	8	7

	2017	2016
Salaries and benefits, SEK thousands		
Parent Company		
Pension expenses	60,488	49,584
Other social fees	7,210	5,867
Total	18,687	16,241
Total	86,384	71,692
Subsidiaries		
Salaries and benefits	36,654	29,663
Pension expenses	788	660
Other social fees	2,671	2,373
Total	40,114	32,696

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 2017, SEK thousands	Salaries/ Board fees	Pension expenses	Other benefits	Total
Board of Directors:				
Henrik Tjernberg, Board Chair	475	–	–	475
Örjan Gatu, Board member ²	–	–	–	–
JanOlof Backman, Board member	175	–	–	175
Robert Ahldin, Board member	175	–	–	175
Katarina G Bonde, Board member	175	–	–	175
Carl Bildt, Board member	175	–	–	175
Other senior position holders				
Joel Bolló, CEO	2,442	436	67	2,945
Other senior position holders (1 person) ²	2,310	432	93	2,835
Total	5,927	868	160	6,955

1) All Group Board members and senior executives are employed in the Parent Company.

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

Note 8 continued

Remuneration to the Board, CEO and senior position holders 2016, SEK thousands	Salaries/ Board fees	Pension expenses	Other benefits	Total
Board of Directors:				
Henrik Tjernberg, Board Chair	475	–	–	475
Örjan Gatu, Board member ¹	–	–	–	–
JanOlof Backman, Board member	175	–	–	175
Robert Ahldin, Board member	175	–	–	175
Katarina G Bonde, Board member	175	–	–	175
Carl Bildt, Board member	175	–	–	175
Other senior position holders				
Joel Bollö, CEO	2,045	436	64	2,545
Other senior position holders (1 person) ¹	1,845	435	74	2,354
Total	5,065	871	138	6,074

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

Remuneration principles

Remuneration to the Board Chair and other Board members is decided by the AGM. The 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 senior 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 2017 comprised one senior position holder and the Chief Executive Officer. All senior position holders were employed for the whole year.

Variable remuneration

MSAB has a profit-sharing programme whereby five percent of consolidated profit before tax is distributed to employees, excluding the CEO and CTO. This total includes social fees 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 except for CEO Joel Bollö and CTO Örjan Gatu (to a maximum of 20 persons). Participants are invited to subscribe for share warrants at fair market compensation (as per the Black & Scholes method). 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 shares warrants that any programme participant is offered shall not exceed 40,000.

Long-term incentive programme 2017–2020

On 10 May, 2017 MSAB's AGM decided to implement a long-term incentive programme for the Company's senior management and certain key persons (to a maximum of 20 persons). Participants are invited to subscribe for share warrants at fair market compensation (as per the Black & Scholes method). These entitle the holder to subscribe for new B series shares in the Company during the period 1 June, 2020 up to and including 31 August, 2020 at a price equal to 130 percent of the average volume-weighted closing price for the Company's B series shares for the period 11 May up to and including 24 May, 2017. The maximum number of share warrants that any programme participant is offered shall not exceed 40,000.

Pension

The contractual retirement age for the Chief Executive Officer and other senior position holders is 65 years. Pension premiums for the Chief Executive Officer are 18 percent of pensionable salary and follow a defined pension contribution plan. Other senior position holders also belong to a defined pension contribution plan, and for 2017, pension premiums amounted to 19 percent of basic salaries on average. Variable remuneration is not included in pension calculations for the Chief Executive Officer nor for any other senior position holders. All pensions are inviolable, i.e. not conditional upon future employment.

Severance pay

Since 1 December, 2016, the Chief Executive Officer has had a fixed annual salary of SEK 2,400,000. Upon termination, the Chief Executive Officer 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 position holders is initiated by the Company, Swedish labour law (LAS) shall apply.

Note 9 Financial income

SEK thousands	The Group		The Parent Company	
	2017	2016	2017	2016
Dividends from Group companies	–	–	743	2,372
Interest income	187	134	74	92
Currency exchange gains	5,828	7,922	5,774	7,922
Total financial income	6,015	8,056	6,591	10,386

Note 10 Financial expenses

SEK thousands	The Group		The Parent Company	
	2017	2016	2017	2016
Interest expenses	-109	-12	-22	-3
Currency exchange losses	-5,048	-5,881	-5,012	-5,814
Total financial expense	-5,157	-5,893	-5,034	-5,817

Note 11 Tax

SEK thousands	The Group		The Parent Company	
	2017	2016	2017	2016
Current tax	-16,831	-15,812	-13,281	-12,241
Deferred tax	93	477	–	–
Total reported tax expense	-16,738	-15,335	-13,281	-12,241
Reconciliation of tax for the year				
Profit/loss before tax	69,628	60,571	60,057	57,431
Tax in accordance with tax rate in Sweden, 22%	-15,318	-13,325	-13,213	-12,635
Effect of different tax rates in foreign operations	-1,352	-2,403	–	–
Non-taxable income	164	524	164	524
Non-deductible expenses	-232	-131	-232	-131
Tax expense	-16,738	-15,335	-13,281	-12,242
Average tax rate, %	24,0	25,3	22,1	21,3
Deferred tax in balance sheet				
Temporary difference relating to distribution over a period of time of income in the USA (MSAB Incorporated)	93	477	–	–
Total	93	477	–	–

Note 12 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 during the year. Number of shares is given in thousands.

SEK thousands	The Group	
	2017	2016
Profit/loss for the year after tax, SEK thousands	52,890	45,236
Average no. of shares before dilution, thousands	18,378	18,268
Average no. of shares after dilution, thousands	18,379	18,346
Earnings per share before dilution, SEK	2.88	2.47
Earnings per share after dilution, SEK	2.88	2.46

Dilution derives from the Company's employee share-option programme, where dilution occurs when the exercise price falls below the market price for the period.

Note 13 Inventory, equipment, fixtures and fittings

SEK thousands	The Group		The Parent Company	
	2017	2016	2017	2016
Opening balance, historical purchases	7,722	7,146	7,295	6,698
Sold/Scrapped	878	640	784	597
Exchange difference	-536	-76	-536	-
Closing balance, accumulated cost	-13	11	-	-
Closing balance, accumulated cost	8,051	7,722	7,543	7,295
Opening balance, depreciation	-5,814	-4,476	-5,519	-4,157
Planned depreciation for the year	-1,127	-1,405	-914	-1,362
Sold/Scrapped	536	67	536	-
Closing accumulated depreciation	-6,405	-5,814	-5,897	-5,519
Closing balance, planned residual	1,646	1,908	1,646	1,776

Note 14 Intangible assets

SEK thousands	The Group		The Parent Company	
	2017	2016	2017	2016
Opening balance, historical	2,401	2,386	2,402	2,386
Purchases	-	15	-	16
Sold/scrapped	-	-	-	-
Closing balance accumulated cost	2,401	2,401	2,402	2,402
Opening balance, depreciation	-1,969	-1,765	-1,970	-1,765
Depreciation for the year	-130	-204	-130	-205
Sold/scrapped	-	-	-	-
Closing accumulated depreciation	-2,099	-1,969	-2,100	-1,970
Closing balance, planned residual	302	432	302	432

Note 15 Participations in Group Companies

SEK thousands	The Parent Company	
	2017	2016
Opening balance, historical cost	13	7
Share capital MSAB Pte Ltd	-	6
Closing balance, accumulated cost	13	13

SEK thousands	No. shares	Corp. ID number	Capital and voting rights, %	Book value	Domicile	Equity	Profit/loss
Micro Systemation Ltd	1	6783784	100	-	United Kingdom	1,821	1,474
MSAB Incorporated	3,000	33-1211059	100	6	USA	15,015	3,540
Micro Systemation Canada Inc	100,000	850091-6	100	-	Canada	482	170
Micro Systemation Pty Ltd	100	164546632	100	1	Australia	1,164	463
MSAB Pte Ltd	1,000	201617865E	100	6	Singapore	-699	165
Micro Systemation HK Ltd	10,000	1986284	100	-	Hong Kong	-350	-112
- MSAB Technology (Beijing) Co., Ltd	-	09557804-X	100	-	China	2,229	157
Total				13			

Note 16 Trade receivables

SEK thousands	The Group		The Parent Company	
	2017	2016	2017	2016
Trade receivables	45,810	41,302	34,081	31,748
Total	45,810	41,302	34,081	31,748
Trade receivables, age analysis, SEK thousands	2017	2016	2017	2016
Not yet due	35,459	36,466	28,289	29,702
Overdue 30 days	7,607	3,841	5,019	1,592
Overdue 31–60 days	482	257	413	120
Overdue 61–90 days	834	223	83	107
Overdue > 90 days	1,428	515	277	227
Total	45,810	41,302	34,081	31,748

Overdue trade receivables amounted to SEK 10,351 (4,836) thousand. Total provisions for doubtful trade receivables amounted to SEK 0 (0) thousand. Established bad debt losses amounted to SEK 0 (0) thousand and were recognised as an operating expense.

It is the Company's assessment that reported values for trade receivables correspond to fair values.

Note 17 Pre-paid expenses and accrued income

SEK thousands	The Group		The Parent Company	
	2017	2016	2017	2016
Pre-paid rent	1,596	1,530	1,596	1,530
Pre-paid insurance premiums	827	579	827	579
Pre-paid inventory purchases	3,769	2,343	3,769	2,343
Accrued income	4,188	–	4,188	–
Other items	2,091	2,300	1,945	2,194
Total	12,470	6,752	12,324	6,646

Note 18 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 19 Share capital

Share capital amounted to 19,082,000 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 and every share of the B and C series entitle the holder to one vote. The number of shares in series A and B is 1,000,000 and 17,460,000 respectively.

The number of shares in the C series is 622,000 all of which are held in treasury. Of B shares, 81,596 are held in treasury.

Micro Systemation's B share has been listed on Nasdaq OMX – Stockholm since 27 December, 2011. One trade unit in MSAB is one share.

Other contributed equity consists primarily of share premium reserves.

Note 20 Accrued expenses and deferred income

SEK thousands	The Group		The Parent Company	
	2017	2016	2017	2016
Accrued vacation pay	7,935	6,209	7,768	6,104
Accrued bonuses	8,571	6,835	5,816	5,307
Accrued social fees	4,268	3,585	4,268	3,585
Deferred income	47,752	41,176	20,995	17,529
Other items	1,710	1,721	1,395	1,533
Total	70,236	59,525	40,242	34,059

Note 21 Adjustments for items not included in cash flow

SEK thousands	The Group		The Parent Company	
	2017	2016	2017	2016
Depreciation	1,265	1,606	1,044	1,567
Unrealised change in value, financial instruments	-	-	-	-
Unrealised foreign currency differences	-2,695	914	-	-
Total	-1,430	2,520	1,044	1,567
Interest received	66	73	66	73
Interest paid	-	-	-	-

Note 22 Dividends

The dividend decided by the AGM and paid out during 2017 amounted to SEK 2.2 per share, totalling SEK 40,432 thousand.

The Board of Directors will propose to the AGM on 15 May, 2018 a cash dividend of SEK 2.2 per share, totalling SEK 40,432 thousand.

Note 23 Pledged assets and contingent liabilities

SEK thousands	2017	2016
The Group		
Pledge	2,849	2,855
Total	2,849	2,855
Parent Company		
Pledge	2,849	2,855
Total	2,849	2,855

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

Note 24 Appropriation of profit

SEK	2017	2016
Available funds		
Profit brought forward from previous year	17,785,955	12,767,348
Share premium reserve	7,770,400	7,770,400
Profit/loss for the year	46,776,191	45,189,880
Total	72,332,546	65,727,628
Proposed dividend	40,432,489	40,432,489
Transferred to new account	31,900,057	25,295,139
Total	72,332,546	65,727,628

Approval of Financial Reports

Micro Systemation AB's (publ) consolidated accounts and annual accounts for financial year 2017 were approved for publication by the Board of Directors and the Chief Executive Officer on 24 April, 2018. The consolidated accounts and the annual accounts will be put before the Annual General Meeting for adoption on 15 May, 2018.

The Board of Directors and the Chief Executive Officer hereby give their assurance that the annual accounts have been prepared in accordance with the Annual Accounts Act and RFR2.2 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 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 hereby 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 business activities, financial position and results, and describe the significant risks and uncertainties to which the Group is exposed

Stockholm, 24 April, 2018

Henrik Tjernberg
Board Chair

Jan-Olof Backman
Board member

Robert Ahldin
Board member

Carl Bildt
Board member

Joel Bollö
Chief Executive Officer

Örjan Gatu
Board member

Katarina G Bonde
Board member

Our audit report was submitted on 24 April, 2018

Deloitte AB

Erik Olin
Authorised Public Accountant

Auditor's Report

To the Annual General Meeting of Micro Systemation AB (publ), Corporate ID number 556244-3050.

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Micro Systemation AB (publ) for the financial year 2017-01-01 to 2017-12-31 except for the Corporate Governance Report on pages 49–51. The annual accounts and consolidated accounts of the Company can be found on pages 22–48 of this document.

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, 2017 and its financial performance and cash flow for the year 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, 2017 and its financial performance and cash flow for the year in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with other parts of the annual accounts and the consolidated accounts.

We therefore recommend that the Annual General Meeting of shareholders adopts the income statements and balance sheets of the Parent Company and the Group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content in the supplementary report submitted to the Parent Company's Board of Directors in accordance with Article 11 of the Accountants Ordinance (537/2014).

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent relative to the Parent Company and Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This means that to the best of our knowledge and belief, no prohibited services as outlined in Article 5.1 of the Accountants Ordinance (537/2014) have been provided to the audited Company, its Parent Company if appropriate or any companies with controlled interests within the EU.

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

Key audit matters

Key audit matters are those which in our professional judgement were most significant for the audit of the annual accounts and the consolidated annual accounts for the period under review. These matters were addressed in the context of our audit of, and in forming our opinion on, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Revenue recognition

Assessment of risk

Net sales for financial year 2017 were SEK 301.8 (242.4) million and were generated primarily from sales of goods, but also services. We have identified this as a key audit area as the Company's revenue is a significant item that in some cases consists of an amalgamation of products and services. These agreements contain the delivery of sub-components where revenue recognition shall reflect the financial

implications of respective components of the agreement and the distribution of revenue is based on the estimated fair value of respective components. The distribution can have a significant impact on consolidated net sales and profit.

For further information, please refer to the Group's accounting principles in Note 2 on page 32 and the section Critical accounting estimates and assumptions for accounting purposes in Note 3 on page 35.

Our audit measures

Our audit measures included but were not limited to:

- evaluation of the Company's principles for revenue recognition and review of compliance with these for respective material revenue streams
- acquisition of an understanding of essential transaction flows and for these, evaluation of the Company's significant controls for managing the risk for errors in the financial reporting
- for a selection of individual revenue transactions, verification that revenue was reported at the established fair value for each sub-component and in the period when Micro Systemation AB fulfilled its commitments.

Information other than the annual accounts and the consolidated accounts

This document also contains information other than the annual accounts and consolidated financial statements, which can be found on pages 1–21 and 52–56. The Board of Directors and the Chief Executive Officer are responsible for this other information.

Our opinion as regards the annual accounts and consolidated annual accounts does not include this information and we offer no opinions to corroborate this other information.

In connection with our audit of the annual accounts and consolidated annual accounts, it is our responsibility to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated annual accounts. In this review, we also consider knowledge otherwise obtained during the audit and assess whether the information appears to be materially misstated.

If, based on the work performed relative to this other information, we conclude there is a material misstatement, we are required to report this. We have nothing to report in this regard.

Responsibilities of the Board of Directors and Chief Executive Officer

The Board of Directors and the Chief Executive officer are responsible for preparation of the annual accounts and consolidated annual accounts, and for ensuring they provide a true and fair view as per the Annual Accounts Act and, for the consolidated annual accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Chief Executive Officer are also responsible for the internal controls they deem necessary to ensure that the annual accounts and consolidated annual accounts do not contain any material misstatement, whether due to fraud or error.

In preparing the annual accounts and the consolidated annual accounts, the Board of Directors and the Chief Executive Officer are responsible for assessment of the Company's and the Group's ability to run as a going concern. They disclose, when appropriate, conditions which can impact the ability to continue operating, and use the going concern assumption on continued operation. The going concern assumption is not applied, however, if the Board of Directors and the

Chief Executive Officer intend to liquidate the Company, cease operation, or have no realistic alternative to do any of this.

Auditor's responsibilities

Our objective is to achieve a reasonable degree of assurance that the annual accounts and the consolidated annual accounts as a whole do not contain any material misstatement, whether due to fraud or error, and to issue an auditor's report that contains our opinions. Reasonable assurance is a high degree of assurance but is not a guarantee that an audit performed in accordance with ISA and generally accepted auditing standards in Sweden will always detect a material misstatement if such exists. Misstatements can arise from fraud or errors and are considered material if they individually or in the aggregate can reasonably be expected to impact the financial decisions of users who base their decisions on the annual accounts and consolidated annual accounts.

An additional description of our responsibilities for auditing of annual accounts and consolidated annual accounts can be found on the Swedish Inspectorate of Auditors' website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the Audit Report.

Report on other legal and regulatory requirements Opinions

In addition to our audit of the annual accounts and the consolidated annual accounts, we also performed an audit of the Board of Director's and the Chief Executive Officer's administration of Micro Systemation AB (publ) for the financial year 2017-01-01 to 2017-12-31, and for the proposed appropriation of the Company's profit or loss.

We recommend that the Annual General Meeting of shareholders appropriates the profit in accordance with the proposal in the statutory administration report, and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the fiscal year.

Basis for opinions

We conducted the audit in accordance with generally accepted accounting standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities according to these requirements.

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

Responsibilities of the Board of Directors and Chief Executive Officer

The Board of Directors is responsible for the proposal for appropriation of the Company's profit or loss. In the event of a proposed dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the Company's and the Group's type of operations, size and risks place on the size of the Parent Company's and the Group's equity, capital, consolidation requirements, liquidity and financial position in general.

The Board of Directors is responsible for the Company's organisation and for the administration of the Company's affairs. This includes among other things continuous assessment of the Company's financial situation and ensuring that the Company's organisation is designed so that accounting, management of assets and the Company's financial affairs are otherwise controlled in a reassuring manner. The Chief Executive Officer shall manage the ongoing administration in accordance

with the Board of Director's guidelines and instructions, including taking necessary measures to ensure that the Company's accounting is conducted in full compliance with the law, and that assets are managed in a reassuring manner.

Auditor's responsibilities

Our objective as regards the audit of the administration, and hence our opinions on discharge of liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Chief Executive Officer in any material respect has:

- undertaken any action or been guilty of any negligence which can give rise to liability for the Company, or
- in any other way acted in contravention of the Companies Act, the Annual Accounts Act, or the Articles of Association.

Our objective with the audit of the proposed appropriation of the Company's profit or loss, and thereby our opinion on this, is to assess with a reasonable degree of assurance whether the proposal complies with the Companies Act.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit performed in accordance with generally accepted auditing standards in Sweden will always detect measures or negligence that can lead to liability for the Company, or whether the proposal for the appropriation of the Company's profit or loss does not comply with the Companies Act.

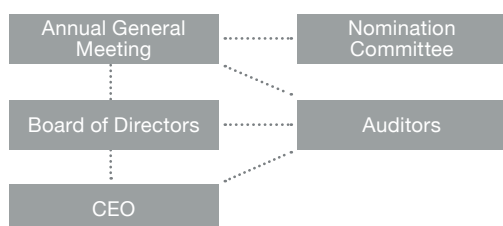
A further description of my (our) responsibility for auditing the administration can be found on the Swedish Inspectorate of Auditors' website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the audit report.

Deloitte AB was appointed as Micro Systemation AB's auditor at the Annual General Meeting held 10 May, 2017 and has been the Company's auditor since 7 May, 2009.

Stockholm, 24 April, 2018
Deloitte AB
Erik Olin
Authorised Public Accountant

Corporate Governance Report

As of 1 December, 2016, 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 of Directors and the Chief Executive Officer. The Company's auditors, appointed by the AGM, review the financial statements and the administration of the Company as conducted by the Board of Directors and 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 (AGM)

The 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 10 May, 2017 at Gällöfsta City's premises in Stockholm. Decisions taken by the AGM included:

- re-election of Henrik Tjernberg as Board Chair, and re-election of Katarina G. Bonde, JanOlof Backman, Robert Ahldin, Örjan Gatu and Carl Bildt as Board members;
- adoption of the income statement and balance sheet for calendar year 2016 as reported in the annual accounts;
- distribution of SEK 40.4 million to shareholders in accordance with the Board's proposal;
- discharge of Board members and the Chief Executive Officer from liability for 2016;
- 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 Nomination Committee Chair;
- re-election of Deloitte AB with Erik Olin as Auditor-in-Charge for the period up to the conclusion of the next AGM;
- approval of the Board's proposal for the Long-term Incentive Programme 2017–2020, and the Board's proposal on issuance of share warrants in accordance with the Long-term Incentive Programme 2017–2020;
- approval of the Board's proposal on repurchase and transfer of the Company's shares held in treasury

Complete meeting minutes from the AGM are available 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, 2017 was 3,309. 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 2017 AGM, Erik Hermansson, Henrik Tjernberg and Joakim Dal were re-elected to the committee. The Nomination Committee is responsible for preparing proposals for fees for the AGM Chair, Board Chair and Board members and auditors, as well as preparing proposals for procedures for the Nomination Committee itself. Shareholders who wish to submit proposals to the Nomination Committee can do so via email to: valberedning@msab.com.

The Board and its work in 2017

The Board consisted of six members as elected 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 is provided regularly at Board meetings. As part of the internal control of financial information, the Board reviews financial year-end reports, interim reports and the annual reports, and poses control questions on process descriptions and ways of working prepared by senior management. The CEO and the Board Chair 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 Board Chair and the CEO 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

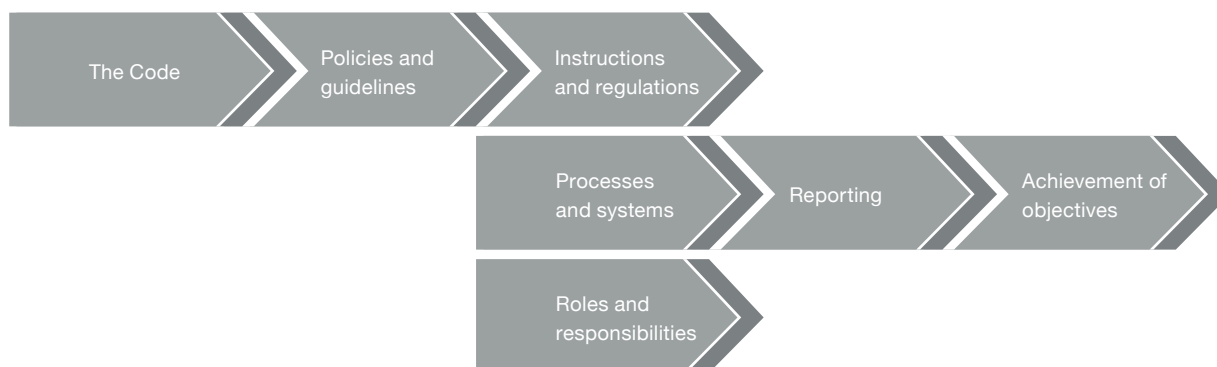
The Board, excluding members who are part of operational management, evaluates on a continuous basis the performance of the CEO within the framework of routine Board work.

Board evaluation has been accomplished partly through the Chairman's reporting to the Nomination Committee on 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 on former high-profile issues and on 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 on-going work and have to some extent been reported back to the Board.

The Board met ten times in 2017 in Stockholm with attendance as follows:

The Board 2017	Board Function	Elected	Independent	Attendance Board meetings
Henrik Tjernberg	Chair	1986	No	10 of 10
Jan-Olof Backman	Member	1999	Yes	10 of 10
Örjan Gatu	Member	1999	No	10 of 10
Katarina G Bonde	Member	2011	Yes	9 of 10
Robert Ahldin	Member	2013	No	10 of 10
Carl Bildt	Member	2016	Yes	3 of 10

Corporate Governance



Board independence

The Board considers itself independent in relation to major shareholders, management and the Company except for Board Chair Henrik Tjernberg, whose voting rights exceed 10 percent, and Board member Robert Ahldin whose shareholdings and voting rights exceed 10 percent. Furthermore, Board member Örjan Gatu is considered dependent in relation to the Company and management in his capacity as Deputy CEO. Considering the Company's operations and development stage, Örjan Gatu's competence is valuable for the effective functioning of the Board's work thus motivating his Board membership. The Board has not established special committees for remuneration and auditing since the Company and Board employ relatively few people. These issues are handled in their entirety by the Board. Örjan Gatu does not participate in work related to committees or remuneration since he is active daily in his role as Deputy CEO. The Board has discussed the Company's focus, product development, growth, strategy, and significant operational issues. MSAB works actively with targets established by the Board, which are communicated to operational units via the CEO and 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 purpose of disseminating information and reviewing activities with the Company's employees.

Auditor

At the 2017 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 2017 and performed an audit of the annual accounts and the consolidated accounts for fiscal year 2017. The auditor reports to the Board annually the conclusions drawn from this review and meets with the Board without management 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 for 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 permeates the organisation. The backbone of internal control is built on the Company's guidelines, instructions, policies, 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, employees 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 to streamline the sales process, reduce the need for manual actions, and contribute to strengthening of 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 for critical processes, including the IT environment. The Company's accounting is characterised by precautionary principles, and management strives to limit financial risk. 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 in that all development and design takes 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 several business risks which have an impact on the Company's earnings 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 in various foreign currencies. The value of the Swedish kronor relative to applicable currencies fluctuates, which creates uncertainties in forecasts of future income in Swedish kronor.
- More than 90 percent of the Company's total sales are for export, while approximately 60 percent of 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 development 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 cannot perform a task and then control the same task. Personnel working within the accounting function are also involved in on-going dialogues with subsidiaries and conducts annual visits to follow-up and ascertain that routines and policies 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 compared 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 finance department. 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 evaluate whether the internal control is of a good standard. This assessment is continually evaluated and will be examined again in 2018.

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 given to 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 Board Chair and other Board members receive remuneration as decided by the AGM. Örjan Gatu, as a member of the Company's senior management, 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 senior 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 2017 comprised one senior position holder and the CEO. All senior position holders were employed throughout the entire year.

Long-term incentive programme 2015–2018

On 6 May, 2015 MSAB's AGM decided to implement a long-term incentive program for the Company's senior position holders and certain key persons with the exception of the Chief Executive Officer Joel Bollö and Deputy CEO Örjan Gatu (to a maximum of 20 persons). Participants are invited to subscribe for share warrants at fair market compensation. 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 2017–2020

On 10 May, 2017, MSAB's AGM decided to implement a long-term incentive programme for the Company's senior management and certain key persons (to a maximum of 20 persons). Participants are invited to subscribe for share warrants at fair market compensation (as per the Black & Scholes method). These entitle the holder to subscribe for new B series shares in the Company during the period 1 June, 2020 up to and including 31 August, 2020 at a price equal to 130 percent of the average volume-weighted closing price for the Company's B series shares for the period 11 May up to and including 24 May, 2017. The maximum number of share warrants that any programme participant is offered shall not exceed 40,000.

Pension

The contractual retirement age for the CEO and other senior position holders is 65 years. Pension premiums for the CEO are calculated at a maximum of 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 2017 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

At year-end 2017, the CEO had a fixed annual salary of SEK 2,400,000. 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 position 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 shareholders in Micro Systemation AB (publ), Corp. ID no 556244-3050

The Board of Directors is responsible for the Corporate Governance Report and for ensuring that it has been prepared in accordance with the Annual Accounts Act. As a basis for opinion on whether the Corporate Governance Report has been prepared and is consistent with the annual accounts and consolidated accounts, we have read the Corporate Governance Report and assessed its statutory content based on our knowledge of the Company. In our opinion, the Corporate Governance Report has been prepared, and its statutory content is consistent with, the annual accounts and the consolidated accounts.

Stockholm, 24 April, 2018

Deloitte AB

Erik Olin

Authorised Public Accountant

The Board of Directors

Board members, from left to right

Carl Bildt

Board member
Independent in relation to the Company, senior management and major shareholders
Born: 1949
Education: Stockholm University
Current employment: Chair, Global Commission Internet Governance; CoChair European Council on Foreign Relations; Senior Advisor Wallenberg Foundations
Previous positions: Prime Minister, Foreign Minister, Member of Parliament
Board member since: 2016
Shareholdings as of 2018-04-24: 0
Other board assignments: Magnora AB, Fastator AB, RAND Corporation

Jan-Olof Backman

Board member
Independent in relation to the Company, senior management and major shareholders
Born: 1961
Education: Master of Science, Engineering, KTH and University of Washington
Current employment: Self-employed
Previous positions: Senior positions within Coor Service Management and McKinsey & Company
Board member since: 2002
Shareholdings as of 2018-04-24: 246,181 B shares held privately and through Company
Other board assignments: Board member in Vasakronan AB, Logent Holding AB, 24 Storage AB, AB Torgfastigheter, J & R Backmans Fastighets och Företagsutveckling Aktiebolag, Byggnads Aktiebolaget O. Tjärnberg

Katarina G Bonde

Board member
Independent in relation to the Company, senior management and major shareholders
Born: 1958
Education: Master of Science, Physics, KTH and studied economics at Stockholm University
Current employment: 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 as of 2018-04-24: 0
Other board assignments: Board chair, Opus Group AB, Propellerhead Software AB and Imint AB; Board member in Mycronic AB, Allihooopa AB, Nordax Bank AB, Aptilo Holding AB and Birger Jarl Fondkommission AB.

Henrik Tjernberg

Board chair
Independent in relation to the Company and senior management. Not independent in relation to major shareholders
Born: 1960
Education: Studied at KTH
Current employment: Investor Relations Advisor
Board member: 1986–2002
Board chair since: 2002
Shareholdings as of 2018-04-24: 865,000 A shares, 55,522 B shares
Other Board assignments: Board Chair in Tjernkraft AB and CrowdSoft AB; Board deputy in SpinnY AB

Örjan Gatu

Board member
Independent in relation to major shareholders; not independent in relation to the Company and senior management
Born: 1971
Education: Technical secondary education
Current employment: Vice CEO, MSAB; has worked with R&D at MSAB since 1994
Board member since: 1999
Shareholdings as of 2018-04-24: 102,908 B shares
Other board assignments: Board member in Sustainable Energy Solutions Sweden AB

Robert Ahldin

Board member
Independent in relation to the Company and senior management; not independent in relation to major shareholders
Born: 1971
Education: Studied economics at Eckerd College, FL, USA
Current employment: Partner, GP Bullhound.
Previous positions: Founder of risk capital/ investment company Edastra, Rite Internet Ventures, Arctic Ventures and stockbroker at Remium; began his career in 1995 as a financial analyst at Matteus Fondkommission
Board member since: 2013
Shareholdings as of 2018-04-24: 135,000 A shares, 1,496,900 B shares
Other board assignments: Board member in Scandinavia AB, Edastra AB and Edastra Venture Capital AB; Board deputy in Billogram AB



CEO and operational management

CEO and President

Joel Bollö

Born: 1968
Education: Engineer
Current position: CEO and President
Previous assignments: CEO, DLX AB (own company); Key account manager, Netwise AB.
Shareholdings as of 2018-04-24: 104,222 B shares



Deputy CEO

Örjan Gatu

Born: 1971
Education: Technical secondary education
Current position: Deputy CEO; has worked with development at MSAB since 1994
Shareholdings as of 2018-04-24: 102,908 B shares



CFO

Henrik Bergentoft

Employed: 2016
Previous experience: CFO in several listed companies.



Deputy Officer

Mike Dickinson

Employed: 2009
Previous experience: Management positions at Mouchel and Reliance. Former police officer and naval officer



Sales Manager EMEA & Asia

Mikael Falkovén

Employed: 2017
Previous experience: several senior positions at SAAB and several years in the Swedish Armed Forces



CTO

Joakim Grundvall

Employed: 2017
Previous experience: Management positions at Dice and Klarna.



CMO

Steele Hayes

Employed: 2017
Previous experience: Marketing manager in several technology companies including Wynyard and DellSecure Networks.



President North America

Glenn Hickok

Employed: 2014
Previous experience: Several senior positions at Cross Match Technologies; several years in the US army



HR

Susanne Jegendahl

Employed: 2009
Previous experience: Finance positions at ÅF (Steam-boiler Assoc.) and Combra AB



CPO

Bradley Sipes

Employed: 2016
Previous experience: Management positions at Ericsson, Verizon and self-employed as consultant



COO

Per-Olof Stark

Employed: 2018
Previous experience: Management positions at Cisco Systems, Fujitsu, PacketFront and Oracle

Information for shareholders

Financial information

Annual and interim reports, and other information communicated through press releases can be ordered from: Micro Systemation AB, Hornsbruksgatan 28, 117 34 Stockholm, Sweden
Tel: +46 (0) 739 0270 Email: info@msab.com or visit www.msab.com.

Dividend

The Board proposes that the AGM approves a dividend of SEK 2.2 per share to a total of SEK 40.4 million. The record date for dividends is 17 May and dividends will be paid out on 22 May.

AGM 2017

The 2018 AGM will be held at Konferens Spårvagnshallarna's premises at Birger Jarlsgatan 57 A in Stockholm, Tuesday, 15 May, 2018 at 18:00.

Right to participate

Shareholders in Micro Systemation AB (Publ), Corporate ID no. 5562443050, who wish to participate at the AGM must be registered in Euroclear Sweden AB's shareholder register by 8 May as per the instructions below.

Registration

Registration must have been received by the Company latest 8 May, 2017 at 24:00 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, Sweden.

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 8 May, 2018 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 8 May 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

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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.

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.

2004

A new share issue of SEK 10 million 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.

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.

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.

2007

MSAB records sales of over SEK 50 million and reports a net profit of SEK 23 million, 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.

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 SEK 11.5 million 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 SEK 17.9 million to shareholders.

2016

MSAB launches a whole new concept within mobile forensics – The MSAB Ecosystem. The AGM decides to distribute dividends in the amount of SEK 40.4 million to shareholders. A new subsidiary is established in Singapore. A new version of XRY is launched with support for Apple's latest smartphone, the iPhone 7, and Pokémon GO. A single, large order worth SEK 11 million is received from a customer in Asia. MSAB and Berla, a leading global actor within automotive-related criminal technology, enter into a strategic collaboration.

2017

XEC Director and XAMN Elements are launched. MSAB announces a partnership with NuiX, a manufacturer of a market-leading digital criminal investigative platform. XAMN Spotlight 2.0 is launched, which allows users to analyse extracted data more quickly and with greater precision. New updates expand XRY support for additional mobile devices, including drones.

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 SEK 17.7 million to shareholders.

2013

XRY Kiosk, a stationary solution that allows for fast, simple data extraction, is launched. New offices are established in Canada and Australia, and investment 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 SEK 10.6 million 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 SEK 1.7 million to shareholders.

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 SEK 11.5 million to shareholders.

2010

During the second half of the year, an American authority orders Field Version II to a total value of SEK 50 million. 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 SEK 17.7 million 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 SEK 14.2 million to shareholders.

MSAB