

Year-end report January – December 2017

This year's sales and earnings reach new record high

January – December

- Net sales increased 24.5 percent to SEK 301.8 (242.4) million (25.5 percent in local currencies).
- EBIT for the year amounted to SEK 68.9 (58.5) million.
- The EBIT margin reached 22.8 (24.1) percent (23.2 percent in local currencies).
- Profit after tax amounted to SEK 53.0 (45.4) million.
- Earnings per share were SEK 2.88 (2.47).
- Cash flow from operating activities amounted to SEK 47.8 (52.2) million.
- Cash and cash equivalents and short-term investments amounted to SEK 127.4 (123.2) million at year-end.
- The Board of Directors proposes that the Annual General Meeting decides on the distribution of SEK 2.2 (2.2) per share.

Fourth quarter

- Net sales increased 17.9 percent to SEK 84.8 (71.9) million (22.0 percent in local currencies).
- EBIT amounted to SEK 16.9 (21.3) million.
- The EBIT margin reached 19.9 (29.6) percent (21.3 percent in local currencies).
- Profit after tax amounted to SEK 14.0 (17.1) million.
- Earnings per share were SEK 0.76 (0.93).
- Cash flow from operating activities amounted to SEK 50.6 (16.2) million.

+25%

Net sales, 2017

23%

EBIT margin, 2017

MSAB in brief

MSAB is a world leader in mobile forensics technology with the aim of extracting and analysing data from confiscated mobile devices, mainly from mobile phones. The company has sales offices and sales representatives in Europe, North America, South America, China, Australia, Singapore and Russia, and together with a number of distributors, covers most of the world. The proprietary products have become a de facto standard in the field and are used for securing evidence in more than 100 countries. These products are complemented by a wide range of training courses with the possibility of becoming certified in a forensically sound methodology. Customers are primarily law enforcement agencies, such as police, military and customs. MSAB is listed on NASDAQ Stockholm under the ticker symbol: MSAB B.

Comments from the CEO

MSAB helps law enforcement agencies to become more effective in their efforts to fight crime. We do this successfully, so successfully in fact that we can for the 13th year in a row report increased sales with satisfactory profitability. This year we can also report new records for 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.

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 investigating authorities can access and manage information in the devices that police are confiscating.

MSAB's products can access information in more phones, apps, and other types of products than ever before. And we are successful in 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 the safeguards.

The world is becoming digitalised at an ever-increasing pace. Few things have changed society as rapidly as smart phones. Now we see the next wave of digitalisation in everything from smart watches, connected refrigerators, self-driving cars and drones. We are still in the early stages of the IoT (Internet of Things), where everything is connected

thus leaving a multitude of digital traces that are highly valuable in criminal investigations.

During the year, MSAB has successfully added different types of IoT devices. We have already developed solutions for mobiles, cloud data, USB memories, smart watches, GPSs, automobiles, smart TVs and drones. Drones can be used in many ways, for transport of illicit goods and crossing borders, but also as carriers of chemicals or explosives to cause harm.

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

Police have an obvious challenge to adapt at the same fast pace as society in general when it comes to digitalisation. Our view is that the police will have no choice but to adapt to the new reality and to greater extent be forced to prioritise the digitalisation of their operations. 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 based on a longer period than just a single quarter.

Stockholm, February 2018
Joel Bollö, Chief Executive Office

Comments on operations

The market

EMEA & Latin America – during the year, sales for the region grew 39 percent. This growth stems from the majority of markets in the region, but where a larger deal for Kiosk solutions that the company announced during the third quarter contributes significantly.

North America – growth for the year is 20 percent, where federal customers account for most of the revenue, and a considerable portion is attributable to sales of the Field Version System. Local state police forces still represent a small part of the region's total sales, but the trend is favourable with further potential.

Asia and CIS (Commonwealth of Independent States) – compared to the previous year, the region's sales grew by one percent. Most markets in the region performed well as a result of efforts made there. This year's growth should be seen in relation to the fourth quarter of 2016 when we announced a single, larger order of about SEK 11 million.

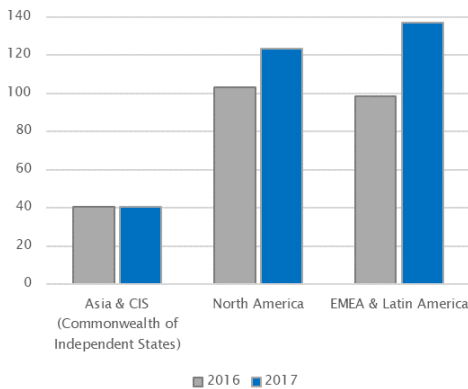
Products

During the quarter, updates of XRY were launched enabling recovery of more data at higher speeds. Functionality for image identification that categorises extracted pictures by type is now available in XRY. Furthermore, the second beta version of XAMN Elements was released, a tool that allows for recovery of deleted data.

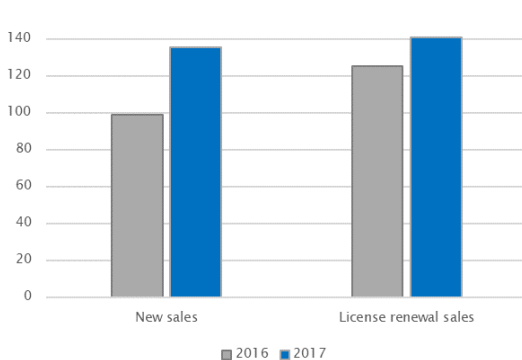
Training

Revenue from training activities continues to develop positively with growth of 26 percent for the year. Training accounts for 7 (7) percent of the year's total revenue.

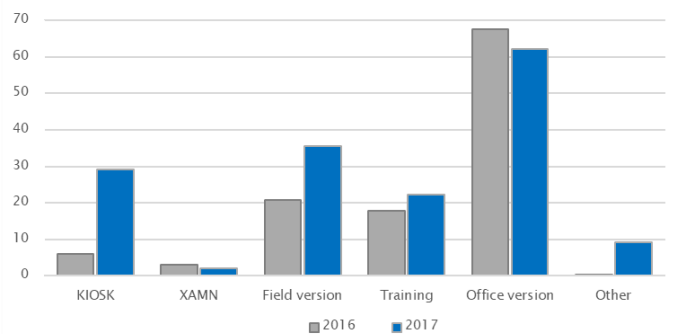
Sales distribution by regions MSEK, Jan-Dec



Product sales distribution MSEK, Jan-Dec



New sales distribution MSEK, Jan-Dec



Comments on financial performance

Net sales

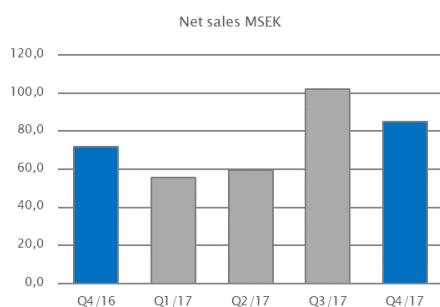
The Group's net sales increased during the fourth quarter by 17.9 percent to SEK 84.8 (71.9) million and increased for the year by 24.5 percent to SEK 301.8 (242.4) million. In local currencies, net sales increased 22.0 percent for the quarter and 25.5 percent for the year.

Expenses

Expenses for goods for resale amounted to SEK 12.9 (4.1) million for the quarter and SEK 30.1 (19.1) million for the year. The increase in expenses was primarily due to increased sales of both Kiosk and Field versions, products which contain more hardware compared to the company's average sales. Other external costs amounted to SEK 16.9 (14.3) million for the quarter and SEK 65.9 (51.4) million for the year. A greater focus on marketing activities in 2017 is the primary cause behind the increase in expenses. Personnel expenses amounted to SEK 37.7 (31.8) million for the quarter and SEK 135.6 (111.8) million for the year. The increase was driven by a rise in the number of employees and the associated recruitment costs, primarily within sales and marketing as well as development.

Profit/loss

EBIT for the quarter amounted to SEK 16.9 (21.3) million, corresponding to an operating margin of 19.9 (29.6) percent. EBIT for the year amounted to SEK 68.9 (58.5) million, corresponding to an operating margin of 22.8 (24.1) percent. In local currencies, the operating margin for the quarter was 21.3 percent and for the year 23.2 percent. Net financial income/expense amounted to SEK 1.7 (1.0) million for the quarter and 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 for the quarter was SEK 14.0 (17.1) million and SEK 53.0 (45.4) million for the year.

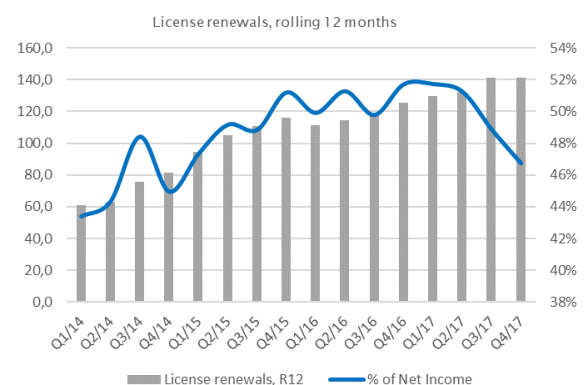
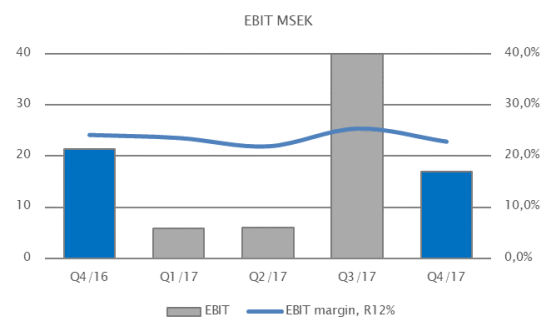


Cash flow and financial position

Cash flow from operating activities amounted to SEK 50.6 (16.2) million for the quarter and SEK 47.8 (52.2) million for the year. The strong cash flow for the quarter is attributable to several major orders being delivered and invoiced at the end of the third quarter where payment was made in the fourth quarter. The long-term receivable of SEK 4.3 million is an accrued revenue attributable to the larger European order in the third quarter, where part of the payment will occur over two years. During the year, dividends in the amount of SEK 40.4 (40.4) million were paid out. 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.

Personnel

The number of employees in the Group at the end of the year was 145 (121). The average number of employees was 134 (117).



Other

Seasonal effects

MSAB is not dependent on the seasons in the sense that is normally meant by the term seasonal effects. Most of the Company's customers, however, follow the calendar year as their budget period, and historically, this has been reflected in sales in that the fourth quarter is stronger than other quarters during the calendar year.

Risks and uncertainty factors

The Group's activities expose it to risks and uncertainty factors. Information on risks and uncertainties other than currency exposure due to foreign subsidiaries and the fact that most invoicing in Sweden is denominated in foreign currencies can be found in more detail in the 2016 Annual Report. The Annual Report is available on the Company's website.

Accounting principles

This interim report has been prepared for the Group in accordance with the Swedish Annual Accounts Act and IAS 34 Interim Financial Reporting, and for the Parent Company in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. Information as per IAS 34 Interim Financial Reporting is provided in notes as well as in other places throughout the report. The accounting principles adopted for the Group and the Parent Company are consistent, unless stated below, with the accounting principles used to prepare the most recent annual report. New and revised IFRS standards, interpretations from the IFRS Interpretations Committee, and amendments to RFR 2 applied as of 1 January, 2017 have no impact on the Parent Company's nor the Group's financial reports. From January 1, 2018, IFRS 15, Revenue from contracts, shall apply. The company has analysed the impact of this policy and found that it did not involve any material change with respect to when in time the company's revenue is reported. The new standard has had an impact on the proportion of revenues that accrue depending on contract length (1 – 3 years), where the percentage accrued for a one-year contract has increased but decreased for two- and three-year contracts. The structure of the contract at the date of transition entails no significant difference on when revenue is recognised. IFRS 15 only entails extended disclosure requirements. The Group will apply IFRS 15 retrospectively for 2017. The assessment after analysis of IFRS 9, which comes into force January 2018, is that financial reporting will not be affected. Rather, it only entails disclosure of additional information.

Annual General Meeting (AGM) 2018

The AGM will be held in Stockholm on 15 May, 2018. Shareholders who wish to have an issue addressed at the AGM must submit a written proposal by 6 February to guarantee the matter's inclusion in the Notice of the AGM. The Board of Directors proposes that the AGM decides on the distribution of SEK 2.2 (2.2) per share.

Nomination Committee

The Nomination Committee consists of Chairman Erik Hermansson (Hops Kapitalförvaltning AB), and committee members Henrik Tjernberg and Joakim Dal (Edastra Venture Capital AB). The Nomination Committee is tasked with proposing candidates for AGM Chairman, the Board, Chairman of the Board, and Auditors, as well as Board and Auditor remuneration and proposals for Nomination Committee procedures.

The Parent Company

The Parent Company's net sales for the year amounted to SEK 226.5 (184.1) million. EBIT for the year amounted to SEK 58.6 (52.8) million. This year's investments totalled SEK 0.8 (0.7) million. The number of employees in the Parent Company was 107 (90) at year-end.

Related party transactions

There were no related party transactions during the quarter.

Financial calendar

24 April	Annual report 2017
27 April	Interim report January–March
20 July	Interim report January–June
26 October	Interim report January–September
1 February, 2019	Year-end report 2018

The information in this report is such that MSAB, Corporate ID number 556244–3050, is required to disclose in accordance with the EU's Market Abuse Regulation. The information in this report was submitted for publication on 2 February, 2018 at 08:00 CEST through the offices of the contact person listed below.

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

Questions should be addressed to:

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

Board and CEO's statement

The under-signed certify that this interim report provides, in accordance with current regulations, a fair and true overview of the Parent Company's and Group's operations, financial position and earnings, as well as describing the significant risks and uncertainty factors to which the Parent Company and the subsidiaries that comprise the Group are exposed.

Stockholm, 2 February, 2018

Micro Systemation AB (publ)

Corporate ID number 556244-3050

Henrik Tjernberg Chairman of the Board	Joel Bollö Chief Executive Officer	Robert Ahldin Board member	Örjan Gatu Board member
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Jan-Olof Backman Board member	Carl Bildt Board member	Katarina G. Bonde Board member
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This report has not been reviewed by the company's auditors.

Consolidated income statement in summary

MSEK	Oct – Dec		Full year	
	2017	2016	2017	2016
Net sales	84.8	71.9	301.8	242.4
Cost of goods sold	-12.9	-4.1	-30.1	-19.1
Other external costs	-16.9	-14.3	-65.9	-51.4
Personnel costs	-37.7	-31.8	-135.6	-111.8
Depreciation of fixed assets	-0.4	-0.4	-1.3	-1.6
Total operating cost	-67.9	-50.6	-232.9	-183.9
Operating profit – EBIT	16.9	21.3	68.9	58.5
Financial income	3.1	5.1	6.0	8.1
Financial expenses	-1.4	-4.1	-5.2	-5.9
Profit/loss before tax	18.6	22.3	69.7	60.7
Tax	-4.6	-5.2	-16.7	-15.3
Net profit/loss after tax	14.0	17.1	53.0	45.4

Statement of comprehensive income

MSEK	Oct – Dec		Full year	
	2017	2016	2017	2016
Net profit/loss after tax	14.0	17.1	53.0	45.4
Currency translation differences	0.2	0.3	-3.1	0.6
Tax on currency translation differences	0.0	0.0	0.4	0.1
Total comprehensive income	14.2	17.4	50.3	46.1
Comprehensive income for the period attributable to the shareholders of the parent company	14.2	17.4	50.3	46.1

Key figures

	Oct – Dec		Full year	
	2017	2016	2017	2016
Revenue growth, %	17.9	10.3	24.5	6.8
EBIT–margin, %	19.9	29.6	22.8	24.1
Cash flow from operating activities per share, SEK	2.75	0.88	2.60	2.84
Return on equity, %	12.8	17.5	48.3	46.3
Return on capital employed, %	18.2	22.9	66.2	63.9
Equity per share, SEK	6.23	5.68	6.23	5.68
Earnings per share, basic, SEK	0.76	0.93	2.88	2.47
Earnings per share, diluted, SEK	0.76	0.93	2.88	2.46
Average number of shares, basic, million	18.4	18.4	18.4	18.4
Average number of shares, diluted, million	18.4	18.4	18.4	18.4

Consolidated balance sheet in summary

MSEK	Dec-31	
	2017	2016
ASSETS		
Intangible assets	0.3	0.4
Tangible assets	1.6	1.9
Deferred tax asset	0.1	0.5
Other long term asset	4.3	-
Total non-current assets	6.3	2.8
Inventories	6.0	3.7
Accounts receivable – trade	45.8	41.3
Current tax asset	0.5	0.3
Other current assets	14.2	8.0
Cash and cash equivalents	127.4	123.2
Total current assets	193.9	176.5
TOTAL ASSETS	200.2	179.3
EQUITY AND LIABILITIES		
Equity	114.6	104.4
Accounts payable – trade	5.0	4.6
Current tax liability	3.6	6.2
Other current liabilities	77.0	64.1
Total current liabilities	85.6	74.9
TOTAL EQUITY AND LIABILITIES	200.2	179.3

Change in equity

MSEK	Dec-31	
	2017	2016
Opening balance	104.4	90.9
Profit/loss for the period	50.3	46.1
Issue of share option rights	0.3	-
Conversion of share option rights	-	7.8
Dividend	-40.4	-40.4
Equity at the end of the period	114.6	104.4

Cash flow statement in summary

MSEK	Oct-Dec		Full year	
	2017	2016	2017	2016
Cash flow before working capital changes	16.4	18.4	49.1	52.5
Working capital changes	34.2	-2.2	-1.3	-0.3
Cash flow from operating activities	50.6	16.2	47.8	52.2
Investments in fixed assets	-0.0	-0.4	-0.9	-0.7
Cash flow from investing activities	-0.0	-0.4	-0.9	-0.7
Dividend paid to shareholders	-	-	-40.4	-40.4
Premium received/conversion of share option rights	-	-	0.3	7.8
Cash flow from financing activities	-	-	-40.1	-32.6
Cash flow for the period	50.6	15.8	6.8	18.9
Cash at the beginning of the period	76.3	107.1	123.2	103.7
Exchange rate difference in cash	0.5	0.3	-2.6	0.6
Cash at the end of the period	127.4	123.2	127.4	123.2

Quarterly data

	2017				2016				2015				2014			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales, MSEK	84.8	102.0	59.5	55.4	71.9	71.6	52.0	46.8	65.2	59.6	51.5	50.5	65.5	45.9	37.6	31.9
EBIT, MSEK	16.9	40.0	6.1	5.8	21.3	23.3	8.5	5.3	18.2	15.3	10.1	12.8	19.5	11.4	-7.0	-9.8
EBIT-margin, %	19.9	39.2	10.2	10.6	29.6	32.5	16.3	11.3	28.0	25.7	19.5	25.4	29.7	24.7	-18.5	-30.5
Earnings per share, SEK	0.76	1.65	0.24	0.22	0.93	0.99	0.35	0.18	0.87	0.66	0.34	0.61	0.81	0.56	-0.37	-0.43
Return on equity, %	12.8	32.5	6.4	3.9	17.5	22.5	9.9	3.7	20.7	19.4	12.2	19.0	26.1	21.2	-15.9	-16.7
Return on capital employed, %	18.2	43.7	8.9	5.3	22.9	30.0	14.6	7.0	26.6	28.2	21.7	27.3	38.4	24.8	-14.9	-20.7
Equity ratio, %	57.2	52.2	52.0	60.6	58.2	55.7	53.3	62.6	56.5	51.8	51.2	55.6	50.0	48.2	42	49.6
Cash flow from operations/per share, SEK	2.75	-0.06	-0.24	0.15	0.88	1.49	0.18	0.28	1.12	0.79	0.33	0.92	1.30	0.06	0.49	-1.04
Equity per share, SEK	6.23	5.46	3.87	5.90	5.68	4.73	3.69	5.54	4.97	4.14	3.49	4.20	3.52	2.67	2.05	2.30

Definitions

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

EBIT

Earnings before interest and taxes.

EBIT margin

EBIT in relation to net sales.

Earnings per share *

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

Return on equity

Profit/loss after tax in relation to average adjusted equity.

Return on capital employed

EBIT plus financial items in relation to average capital employed.

Equity ratio

Equity in relation to total assets.

Cash flow from operations/per share

Cash flow from operations in relation to average number of outstanding shares after dilution.

Equity per share

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

Average adjusted equity

Average of equity during 12 months-period. Opening plus closing shareholders' equity divided by two.

Capital employed /average capital employed

Capital employed is calculated as total assets less non-interest-bearing liabilities.

Average capital employed is calculated as capital employed over a 12 months period. Capital employed at beginning of period plus capital employed at end of period divided by two.

Revenue growth, %

Sales current period in relation to same period prior year

Net financial items

Net of financial income and expenses

* Defined in line with IFRS

Reconciliations of measurements that are not defined under IFRS.

Capital employed

	2017				2016				2015				2014			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total assets, MSEK	200.2	192.5	136.6	179.0	179.3	156.0	127.1	161.6	161.0	145.7	124.4	137.0	126.4	99.6	86.8	82.1
Accounts payables, MSEK	-5.0	-11.3	-4.1	-4.5	-4.6	-3.1	-2.2	-3.4	-5.0	-6.7	-5.2	-3.1	-12.7	-4.3	-3.1	-3.6
Tax liabilities, MSEK	-3.6	-11.4	-3.1	-4.7	-6.2	-9.4	-4.2	-3.8	-2.5	-8.3	-5.9	-4.7	-2.0	-1.8	-2.8	-2.5
Other liabilities, MSEK	-77.0	-69.4	-58.3	-61.4	-64.1	-56.7	-52.9	-53.3	-62.6	-55.2	-49.6	-52.9	-48.5	-45.5	-44.5	-35.2
Capital employed, MSEK	114.6	100.4	71.0	108.4	104.4	86.8	67.8	101.1	90.9	75.5	63.7	76.2	63.2	47.9	36.4	40.7
Average capital employed, MSEK	109.5	93.6	69.4	104.8	97.7	81.1	65.8	88.7	77.1	61.7	50.1	58.5	55.7	47.2	41.2	45.8

Parent company income statement in summary

MSEK	Jan-Dec	
	2017	2016
Net sales	226.5	184.1
Cost of goods sold	-30.1	-19.1
Other external costs	-44.1	-34.1
Personnell costs	-92.7	-76.5
Depreciation of fixed assets	-1.0	-1.6
Total operating cost	-167.9	-131.3
Operating profit – EBIT	58.6	52.8
Net financial items	1.6	4.6
Profit/loss before tax	60.2	57.4
Tax	-13.3	-12.2
Net profit/loss after tax	46.9	45.2

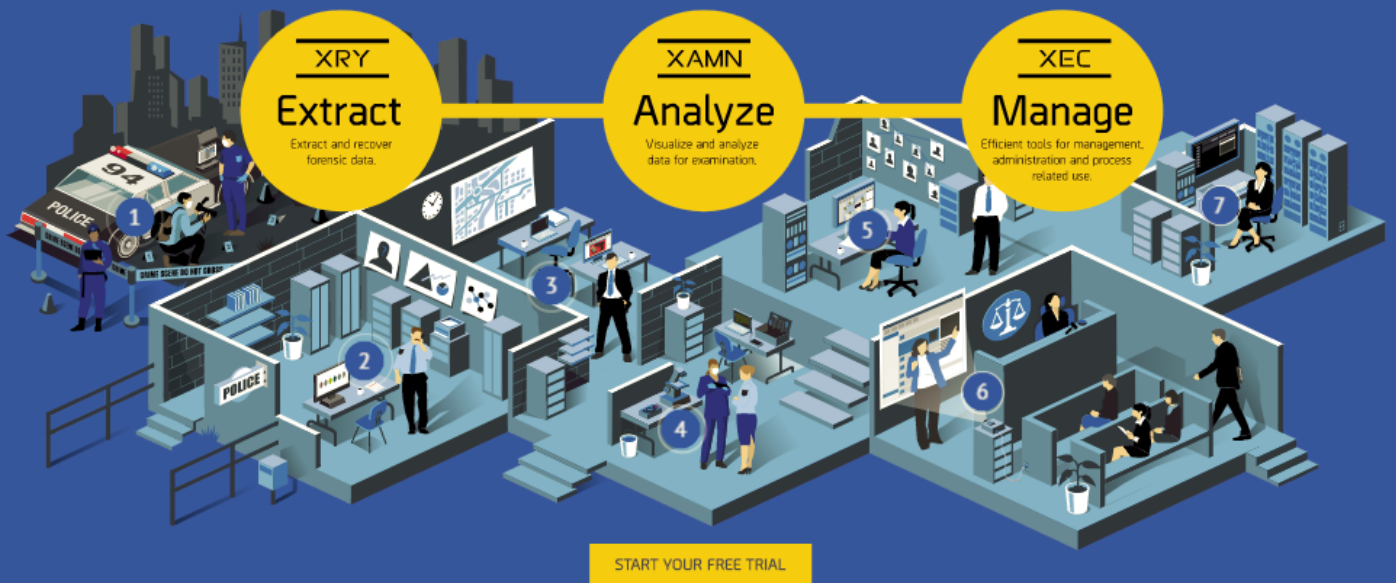
Statement of comprehensive income

MSEK	Jan-Dec	
	2017	2016
Net profit/loss after tax	46.9	45.2
Total comprehensive income	46.9	45.2

Parent company balance sheet in summary

MSEK	31-dec	
	2016	2016
ASSETS		
Intangible assets	0.3	0.4
Tangible assets	1.6	1.8
Shares in group companies	0	0
Other long term asset	4.3	-
Total fixed assets	6.2	2.2
Inventories	6.0	3.7
Accounts receivable – trade	22.1	26.5
Other current assets	26.3	13.2
Cash and cash equivalents	87.5	90.1
Total current assets	141.9	133.5
TOTAL ASSETS	148.1	135.7
EQUITY AND LIABILITIES		
Share capital	3.8	3.8
Share premium	20.3	20.3
<i>Restricted equity</i>	24.1	24.1
Statutory reserve	7.8	7.8
Profit brought forward	64.5	57.9
<i>Non-restricted equity</i>	72.3	65.7
Total equity	96.4	89.8
Accounts payable – trade	4.5	4.2
Current tax liability	2.8	5.1
Other current liabilities	44.4	36.6
Total current liabilities	51.7	45.9
TOTAL EQUITY AND LIABILITIES	148.1	135.7

The Ecosystem of Mobile Forensics



Combined together, all of our products, platforms and services form a complete ecosystem of mobile forensics that protects our customers throughout the evidence chain. No matter what type of user, location, mobile device or environment; we have a tool designed to suit that particular need. These solutions work together in harmony to ensure best practice workflows for all stakeholders; from the field to the lab, through to the court room and beyond.

XRY™

Extract

Extract digital forensic data from mobile devices

XAMN™

Analyze

Review, Visualize and Analyze mobile data

XEC™

Manage

Management tools for efficient processes