

Interim report January – September 2016

Record turnover in the third quarter

Third quarter

- Net sales increased 20.2 percent to SEK 71.6 (59.6) million, (21.9 percent in local currencies)
- EBIT increased to SEK 23.3 (15.3) million
- The EBIT margin reached 32.5 (25.7) percent, (33.2 percent in local currencies)
- Profit after tax was SEK 18.3 (12.0) million
- Earnings per share were SEK 0.99 (0.66)
- Cash flow from operational activities was SEK 27.5 (14.4) million

January – September

- Net sales increased 5.4 percent to SEK 170.4 (161.7) million, (7.5 percent in local currencies)
- EBIT reached SEK 37.1 (38.2) million
- The EBIT margin reached 21.8 (23.6) percent, (22.7 percent in local currencies)
- Profit after tax was SEK 28.2 (29.2) million
- Earnings per share were SEK 1.53 (1.60)
- Cash flow from operational activities was SEK 36.0 (37.1) million
- Cash and cash equivalents and short-term investments amounted to SEK 107.1 (84.9) million at the end of the period

+20%

Net sales, Q3

33%

EBIT margin, Q3

MSAB in brief

MSAB is a world leader in mobile forensics technology with the aim of extracting and analysing data from confiscated mobile devices, mainly from mobile phones. The Company has its own sales offices and sales representatives in Europe, North America, South America, China, Australia and Russia, covering most of the world together with a number of distributors. The proprietary products have become a de facto standard in the field and are used for securing evidence in more than 100 countries. The 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 gave its best third quarter performance ever with a record turnover and a good profit margin. Business deals with long lead times have now become concrete agreements.

Sales during the third quarter grew 20.2 percent and amounted to SEK 71.6 (59.6) million. EBIT increased to SEK 23.3 (15.3) million, corresponding to an EBIT margin of 32.5 (25.7) percent. Sales grew 5.4 percent during the first nine months of the year reaching SEK 170.4 (161.7) million. EBIT decreased to SEK 37.1 (38.2) million, corresponding to an EBIT margin of 21.8 (23.6) percent. The lower EBIT level for the year's first nine months is attributable to continuing initiatives for growth and thus increased personnel costs. Adjusted for currency effects, sales growth was 7.5 (23.3) percent for the period. This third quarter has demonstrated the strength of our business model. A higher turnover led to increased profits with a stronger EBIT margin.

The third quarter is the most important for our operations in the USA as all federal authorities, i.e. our customers, close their annual accounts on the last day of September. North America became our largest region during the quarter and our operations in North America continue to expand as demand is strong and customer confidence in our product offering is growing.

With a subsidiary in Singapore in place, we now have companies in a total of seven countries outside of Sweden, and our own personnel in an additional four countries. We have chosen to establish offices locally as many of our customers prefer to do business locally. Our success is based largely on having personnel who know the local market and who have the capacity to quickly build trust with our customers. We will continue to expand internationally as potential increases.

Smart phones are becoming increasingly advanced and complex. This means that the judicial system is being challenged in ways that it never has been previously. We have successively expanded our product offering from extraction to analysis of large quantities of data. Our system solutions currently handle the information flow from a significant number of digital units. Through MSAB Ecosystem, we now address the very core of today's and tomorrow's criminal investigations. MSAB Ecosystem, which was launched at the end of last year, has received a very positive response from our customers. It is a product offering that caters to the

entire police organisation and streamlines police work processes relating to digital evidence and investigative material. The more complete product offering also serves to take us higher in our customers' value chain thereby generating increased revenue per customer.

The Swedish police and its organisation have been criticised in the media lately. One issue that is often raised is that the police do not have the tools they need, and that they have problems getting mobile phones and computers analysed in time. We are convinced that our products could help the police in their daily work, increasing their efficiency and helping them solve more crimes.

MSAB's third quarter demonstrated strong growth. However, it is important to remember that the Company's rate of growth from quarter to quarter will continue to vary due to changes in our customers' purchasing patterns. Going forward, we feel confident about the future, as the long-term growth trend is strong. The need to extract and analyse the content of seized mobile phones continues to grow. We see how an increasing number of authorities around the world are starting to review their entire digital strategy, and that is exactly what MSAB has been working and planning for.

Stockholm, October 2016

Joel Bollö
Chief Executive Officer

Comments on operations

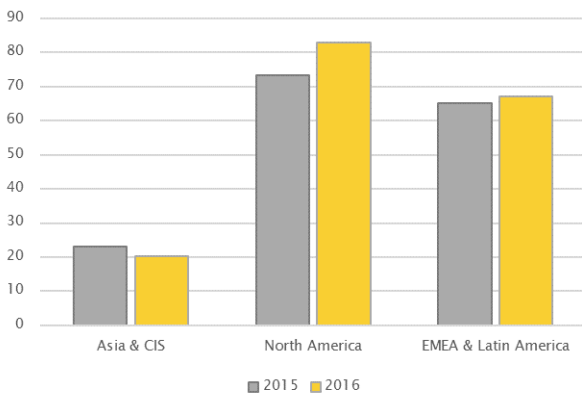
The market

EMEA & Latin America – during the period, sales for the region grew 3 percent, primarily due to good growth in Germany, France and the Nordics. The UK is the single largest market within the region and developed according to plan, though with somewhat lower sales than last year as 2015 was a strong year with a number of major deliveries.

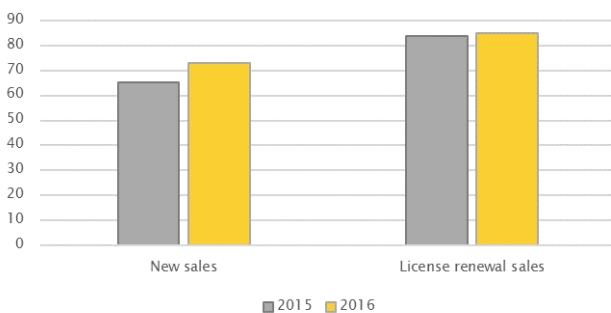
North America – Growth for the period reached 13 percent and consisted primarily of larger business deals, mainly with federal customers, and a significant portion of sales were for the Field Version system. For the interim period the region was the company’s largest with approximately 49 percent of net sales.

Asia and CIS – compared with the corresponding period last year, sales for the region decreased 12 percent. This is mainly because Australia, the region’s single largest market, is temporarily affected by general cuts to government budgets. However, during the third quarter the region demonstrated a positive trend with growth of 41 percent. This growth came primarily from a long period of cultivation of new markets in Asia, which is now giving results in the form of orders delivered.

Sales distribution by regions MSEK, Jan-Sep



Product sales distribution MSEK, Jan-Sep



Products

A new version of XRY was launched during the quarter, which included support for Apple’s latest phone, the iPhone 7, and Pokémon GO. As well, improvement and development of new products within the concept MSAB Ecosystem continues. Major focus is being placed on creating value for criminal investigators, amongst others, so they can more efficiently identify important information and solve crimes faster.

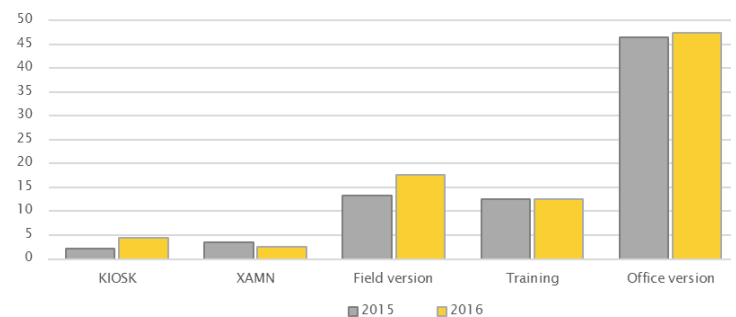
Training

The concept Ecosystem, launched during the second quarter, has meant a shift in training operations to include several new advanced courses. These new courses are still in the establishment phase which explains why sales remained at the same level as last year. Furthermore, an on-line alternative was added as a complement to the current offering within training operations, and this will increase opportunities to reach more participants in the future.

Important events during the quarter

- A new subsidiary was established in Singapore. MSAB had business in Singapore previously, but will now be able to strengthen its local presence.

New sales distribution MSEK, Jan-Sep



Comments on financial performance

Net sales

Consolidated net sales increased during the third quarter by 20.2 percent to SEK 71.6 (59.6) million and increased for the period by 5.4 percent to SEK 170.4 (161.7) million. In local currencies, net sales increased by 21.9 percent for the quarter and by 7.5 percent for the period.

Expenses

Expenses for goods for resale amounted to SEK 9.4 (7.8) million for the quarter and SEK 15.0 (14.3) million for the period. Other external costs for the quarter amounted to SEK 11.3 (12.1) million and for the period SEK 37.0 (36.7) million. Personnel costs amounted to SEK 27.2 (24.1) million for the quarter, and SEK 80.1 (71.3) million for the period.

Profit/loss

EBIT for the quarter amounted to SEK 23.3 (15.3) million, which corresponds to an operating margin of 32.5 (25.7) percent. EBIT for the period amounted to SEK 37.1 (38.2) million which corresponds to an operating margin of 21.8 (23.6) percent. In local currencies, the operating margin for the quarter was 33.2 percent and for the period 22.7 percent.

Net financial income/expense amounted to SEK 0.6 (0.1) million for the quarter and SEK 1.2 (1.1) million for the period. Net financial income/expense comprised primarily revaluation of cash and cash equivalents in foreign currencies. Revenues and expenses are matched in the same currencies to the extent possible. Hedging is done from time to time against estimated future cash inflows when deemed appropriate. Profit after tax amounted to SEK 18.3 (12.0) million for the quarter and SEK 28.2 (29.2) million for the period.

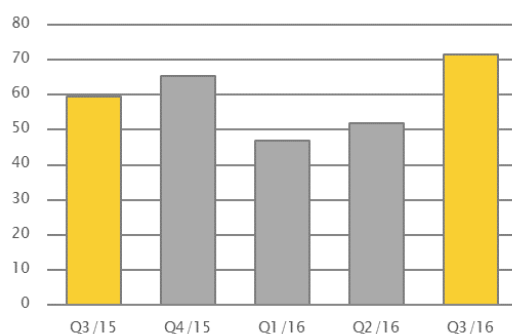
Cash flow and financial position

Cash flow from operating activities amounted to SEK 27.5 (14.4) million for the quarter and SEK 36.0 (37.1) million for the period. During the period, dividends in the amount of SEK 40.4 (17.9) million were paid out. Cash and cash equivalents at the end of the period amounted to SEK 107.1 (84.9) million. The equity ratio at the end of the period was 55.7 (51.8) percent.

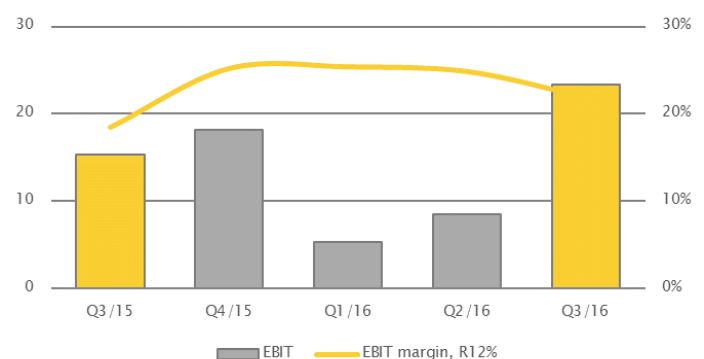
Personnel

The number of employees in the Group at the end of the period was 118 (113). The average number of employees was 116 (107).

Net sales MSEK



EBIT MSEK



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, use 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 a calendar year.

Risks and uncertainty factors

The Group's activities expose it to risks and uncertainty factors. Information about risks and uncertainties other than currency exposure due to foreign subsidiaries and the fact that most invoicing from Sweden is denominated in foreign currencies can be found in more detail in the 2015 Annual Report. The Annual Report is available on the Company's website

Accounting principles

This interim report has been prepared for the Group in accordance with the Swedish Annual Accounts Act and IAS 34 Interim Financial Reporting, and for the Parent Company in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. Information as per IAS 34 Interim Financial Reporting is provided in notes as well as in other places throughout the interim report.

The accounting principles applied to the Group and Parent Company are consistent, unless otherwise stated 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, 2016, have no impact on the Parent Company's or the Group's financial reports.

As of this interim report, the guidelines of the European Securities and Markets Authority (ESMA) are applied for Alternative Performance Measures. This results in additional disclosures for metrics not defined in the IFRS.

Assets measured at fair value

At the end of the quarter, the Company had no forward contracts or fixed income funds, and as of 30 June, 2016 financial assets measured at fair value were SEK 0 million. At the end of the quarter, the Company had no forward contracts or fixed income funds, and as of 30 September, 2016 financial assets measured at fair value were SEK 0 (0.1) million.

Annual General Meeting 2017

The Annual General Meeting (AGM) will be held in Stockholm on May 10, 2017. Shareholders who wish to have a matter addressed at the AGM must submit a written proposal latest on February 6 in order to guarantee that the matter is included in the Notice of the AGM.

The Nomination Committee

The Nomination Committee in MSAB consists of Chairman Erik Hermansson (Humble kapitalförvaltning AB) and board members Henrik Tjernberg and Joakim Dahl (Edastra AB). The Nomination Committee is tasked with proposing candidates for the AGM Chairman, the Board, Chairman of the Board and Auditor, as well as Board and Auditor remuneration and proposals for Nomination Committee procedures.

The Parent Company

The Parent Company's net sales for the period amounted to SEK 127.0 (119.1) million. EBIT for the period amounted to SEK 33.0 (32.1) million. Investments during the period amounted to SEK 0.3 (1.7) million. The number of employees in the Parent Company at the end of the period was 88 (84).

Related Party Transactions

There were no related party transactions during the quarter.

Financial calendar

31 January, 2017 Year-end report

This information is information that Micro Systemation AB is obliged to make public pursuant to the EU Market Abuse Regulation. This information was submitted for publication, through the agency of the contact person set out below, at 08:00 CEST on 21 October, 2016.

This report, earlier reports and press releases are available on the Company's website: www.msab.com.

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

Declaration of the Board of Directors and the Chief Executive Officer

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

Stockholm, 21 October, 2016

Micro Systemation AB (publ)

Corporate ID no. 556244-3050

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

Jan-Olof Backman	Carl Bildt	Katarina G Bonde
Board Member	Board Member	Board Member

Review Report

Introduction

We have reviewed the interim report for Micro Systemation AB (publ) for the period January 1 – September 30, 2016. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm, October 21, 2016

Deloitte AB

Erik Olin

Authorized Public Accountant

Consolidated income statement in summary

MSEK	Jul-Sept		Jan-Sept		12 months	Full year
	2016	2015	2016	2015	Oct-Sept	2015
Net sales	71.6	59.6	170.4	161.7	235.6	226.9
Cost of goods sold	-9.4	-7.8	-15.0	-14.3	-20.9	-20.2
Other external costs	-11.3	-12.1	-37.0	-36.7	-50.3	-50.0
Personnel costs	-27.2	-24.1	-80.1	-71.3	-107.5	-98.7
Depreciation of fixed assets	-0.4	-0.3	-1.2	-1.2	-1.6	-1.6
Total operating cost	-48.3	-44.3	-133.3	-123.5	-180.3	-170.5
Operating profit – EBIT	23.3	15.3	37.1	38.2	55.3	56.4
Financial income	1.0	2.1	3.0	6.0	5.3	8.3
Financial expenses	-0.4	-2.0	-1.8	-4.9	-3.0	-6.1
Profit/loss before tax	23.9	15.4	38.3	39.3	57.6	58.6
Tax	-5.6	-3.4	-10.1	-10.1	-13.5	-13.5
Net profit/loss after tax	18.3	12.0	28.2	29.2	44.1	45.1
OTHER COMPREHENSIVE INCOME						
<i>Items to be reclassified to profit and loss</i>						
Currency translation differences	0.6	-0.3	0.3	-0.1	0.2	-0.6
Tax on currency translation differences	0.1	0.1	0.0	0.1	0.0	0.1
Change in hedging reserves	-	-	-	0.6	-0.1	0.5
Tax on hedging reserves	-	-	-	-0.1	-	-0.1
Total comprehensive income	18.9	11.7	28.5	29.6	44.0	45.1
Comprehensive income for the period attributable to the shareholders of the parent company	18.9	11.7	28.5	29.6	44.0	45.1

Key figures

	Jul-Sept		Jan-Sept		12 months	
	2016	2015	2016	2015	Oct-Sept	2015
Revenue growth, %	20.2	29.8	5.4	40.1	3.9	25.4
EBIT-margin, %	32.5	25.7	21.8	23.6	23.5	24.9
Cash flow from operating activities per share, SEK	1.49	0.79	1.96	2.04	3.07	3.16
Return on equity, %	22.5	19.4	30.6	47.3	45.3	58.6
Return on capital employed, %	30.0	28.2	49.4	71.7	74.6	84.0
Equity per share, SEK	4.73	4.14	4.73	4.14	4.73	4.99
Earnings per share, basic, SEK	0.99	0.67	1.53	1.63	2.40	2.52
Earnings per share, diluted, SEK	0.99	0.66	1.53	1.60	2.40	2.48
Average number of shares, basic, million	18.4	17.9	18.4	17.9	18.4	17.9
Average number of shares, diluted, million	18.4	18.2	18.4	18.2	18.4	18.2

Consolidated balance sheet in summary

MSEK	30-sep		Dec-31
	2016	2015	2015
ASSETS			
Intangible assets	0.5	0.6	0.6
Tangible assets	2.0	2.4	2.7
Deferred tax asset	0.2	0.3	0.7
Total non-current assets	2.7	3.3	4.0
Inventories	4.1	7.4	5.2
Accounts receivable – trade	28.8	37.9	42.3
Current tax asset	3.7	6.0	1.2
Other current assets	9.6	6.1	4.6
Cash and cash equivalents	107.1	84.9	103.7
Total current assets	153.3	142.3	157.0
TOTAL ASSETS	156.0	145.6	161.0
EQUITY AND LIABILITIES			
Equity	86.8	75.4	90.9
Accounts payable – trade	3.1	6.7	5.0
Current tax liability	9.4	8.3	2.5
Other current liabilities	56.7	55.2	62.6
Total current liabilities	69.2	70.2	70.1
TOTAL EQUITY AND LIABILITIES	156.0	145.6	161.0

Change in equity

MSEK	Sep-16		Dec-31
	2016	2015	2015
Opening balance	90.9	63.2	63.2
Profit/loss for the period	28.5	29.6	45.1
Issue of share option rights	7.8	0.5	0.5
Dividend	-40.4	-17.9	-17.9
Equity at the end of the period	86.8	75.4	90.9

Cash flow statement in summary

MSEK	Jul-Sept		Jan-Sept		Full year		
	2016	2015	2016	2015	2015	2014	2013
Cash flow before working capital changes	22.2	12.8	34.1	32.2	46.8	23.0	2.0
Working capital changes	5.3	1.6	1.9	4.9	10.8	-8.2	15.8
Cash flow from operating activities	27.5	14.4	36.0	37.1	57.6	14.8	17.8
Investments in fixed assets	-	-0.2	-0.3	-1.7	-2.3	-0.5	-0.5
Conversion of investment fund to cash	-	-	-	9.1	9.1	-	-
Cash flow from investing activities	-	-0.2	-0.3	7.4	6.8	-0.5	-0.5
Dividend paid to shareholders	-	-	-40.4	-17.9	-17.9	-1.8	-10.6
Premium received for share option rights	-	-	7.8	0.5	0.5	0.3	-
Cash flow from financing activities	-	-	-32.6	-17.4	-17.4	-1.5	-10.6
Cash flow for the period	27.5	14.2	3.1	27.1	47.0	12.8	6.7
Cash at the beginning of the period	78.6	70.3	103.7	56.5	56.5	41.2	34.5
Exchange rate difference in cash	1.0	0.4	0.3	1.3	0.2	2.5	-
Cash at the end of the period	107.1	84.9	107.1	84.9	103.7	56.5	41.2

Quarterly data

	2016		2015				2014				
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales, MSEK	71.6	52.0	46.8	65.2	59.6	51.5	50.5	65.5	45.9	37.6	31.9
EBIT, MSEK	23.3	8.5	5.3	18.2	15.3	10.1	12.8	19.5	11.4	-7.0	-9.8
EBIT-margin, %	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	0.99	0.35	0.18	0.87	0.66	0.34	0.61	0.81	0.56	-0.37	-0.43
Return on equity, %	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, %	30.0	14.6	7.0	26.6	28.2	21.7	27.3	38.4	24.8	-14.9	-20.7
Equity ratio, %	55.7	53.3	62.6	56.5	51.8	51.2	55.6	50.0	48.2	42.0	49.6
Cash flow from operations /per share, S	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	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

	2016		2015			2014					
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total assets, MSEK	156.0	127.1	161.6	160.9	145.7	124.4	137.0	126.4	99.6	86.8	82.1
Accounts payables, MSEK	-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	-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	-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	86.8	67.8	101.1	90.8	75.5	63.7	76.2	63.2	47.9	36.4	40.7
Average capital employed, MSEK	81.1	65.8	88.7	77.0	61.7	50.1	58.5	55.7	47.2	41.2	45.8

Parent company income statement in summary

MSEK	Jan-Sept	
	2016	2015
Net sales	127.0	119.1
Cost of goods sold	-15.0	-14.2
Other external costs	-24.6	-24.3
Personnell costs	-53.2	-47.3
Depreciation of fixed assets	-1.2	-1.2
Total operating cost	-94.0	-87.0
Operating profit – EBIT	33.0	32.1
Net financial items	3.5	1.2
Profit/loss before tax	36.5	33.3
Tax	-8.0	-7.3
Net profit/loss after tax	28.5	26.0

Statement of comprehensive income

MSEK	Jan-Sept	
	2016	2015
Net profit/loss after tax	28.5	26,0
Change in hedging reserves	-	0.6
Tax on hedging reserves	-	-0.1
Total comprehensive income	28.5	26.5

Parent company balance sheet in summary

MSEK	Sept-30	
	2016	2015
ASSETS		
Intangible assets	0.5	0.6
Tangible assets	1.8	2.3
Shares in group companies	-	-
Total fixed assets	2.3	2.9
Inventories	4.1	7.4
Accounts receivable – trade	11.7	37.5
Other current assets	51.5	5.6
Cash and cash equivalents	41.7	45.8
Total current assets	109.0	96.3
TOTAL ASSETS	111.3	99.2
EQUITY AND LIABILITIES		
Share capital	3.8	3.7
Share premium	20.3	20.3
<i>Restricted equity</i>	24.1	24.0
Statutory reserve	7.8	7.8
Profit brought forward	41.3	32.1
<i>Non-restricted equity</i>	49.1	39.9
Total equity	73.2	63.9
Accounts payable – trade	2.7	6.9
Current tax liability	8.0	2.8
Other current liabilities	27.4	25.6
Total current liabilities	38.1	35.3
TOTAL EQUITY AND LIABILITIES	111.3	99.2