

Interim Report January – June 2016

Stable sales and strong turnover in Q2

Second quarter

- Net sales increased 0.9 percent to SEK 52.0 (51.5) million (4.3 percent in local currencies)
- EBIT decreased to SEK 8.5 (10.1) million
- The EBIT margin reached 16.3 (19.5) percent (18.0 percent in local currencies)
- Profit after tax was SEK 6.5 (6.1) million
- Earnings per share were SEK 0.35 (0.34)
- Cash flow from operational activities was SEK 3.3 (6.0) million

January – June

- Net sales decreased -3.2 percent to SEK 98.8 (102.1) million (-1.0 percent in local currencies)
- EBIT decreased to SEK 13.8 (22.9) million
- The EBIT margin reached 14.0 (22.4) percent (15.3 percent in local currencies)
- Profit after tax was SEK 9.8 (17.2) million
- Earnings per share were SEK 0.54 (0.95)
- Cash flow from operational activities was SEK 8.5 (22.7) million
- Cash and cash equivalents and short-term investments amounted to SEK 78.6 (70.2) million at the end of the period

+1%

Net sales, Q2

16%

EBIT margin, Q2

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

Sales for the first six months of the year reached SEK 98.8 (102.1) million. EBIT amounted to SEK 13.8 (22.9) million, which corresponded to an operating margin of 14.0 (22.4) percent. During the second quarter, sales reached SEK 52.0 (51.5) million. This is the largest, second quarter sales volume in the Company's history. Adjusted for local currencies, sales grew 4.3 percent during the second quarter.

We launched MSAB Ecosystem at the beginning of the year – a product family which enables a holistic approach to mobile forensics. The spring and early summer have been a very intensive period for us, where we've participated in several exhibitions as well as other activities for the purpose of introducing MSAB Ecosystem. Reception has been very positive. That there just isn't enough time for forensic labs to read as many phones as they would like is a fact. They see our offering, which can help them become even more efficient, as a smart and effective solution.

There are few things which have given the police such good possibilities for securing evidence as the mobile phone. At the same time, nothing has probably ever challenged them as much either. To maximise the advantages provided by the content on mobile devices, it is no longer enough that forensic labs handle seized mobile phones. All departments within police agencies need access to the results of data readings.

Our calculations show that even if the police need, or might need, access to the content of seized mobile telephones in 90 percent of cases, authorities invest only a few percent of their budgets in mobile forensics. Prioritisation has simply not kept up with the rapid pace of development in this field. I understand that it takes time to change an organisation and to re-prioritise resources to ensure maximum benefit. That's why we are currently trying to influence, now more than ever, decision-makers higher up in organisations, so they have a greater understanding for how they can better prioritise their efforts.

It's exciting and rewarding working with our customers on an increasingly strategic level. The work is long-term and necessary. I believe that there isn't a single police organisation that will not need to review its processes for handling of mobile phones.

Working to convince various authorities of the need to change their ways of working takes time. Even if many feel that MSAB Ecosystem would be a good solution for them, fast change is difficult to implement.

Some customers have taken the lead and are already thinking along these lines. One of these is the London Metropolitan Police and several others are on the way.

Encryption is another major challenge that our customers must deal with. Today, many phones encrypt information in a way that makes it more difficult to access the content. This challenge must be handled in different ways. We supply increasingly advanced solutions – just as we've always done – and through our solutions, our customers can access the content on an increasing number of encrypted mobile phones.

We continue to lobby decision-makers in Europe and the USA for a standard that deals with both the challenge of protecting personal integrity while simultaneously making it possible to access the content of all seized mobile phones.

Our solution for such a standard is called FACT, and I believe it is the most serious proposal thus far. It resolves the dilemma decision-makers face when balancing personal integrity and law and order.

I'm looking forward to the second half of 2016 which will continue to be challenging but at the same time ripe with new possibilities.

Stockholm, July 2016

Joel Bollö
Chief Executive Officer

Operations during the quarter

The market

EMEA & Latin America – the Company’s largest region, accounting for approximately 47 percent of net sales. Latin America, together with Middle East/Africa, demonstrated the greatest growth during the quarter. The UK demonstrated good growth and remains the single largest market within the region in terms of sales. Sales in the region grew 46 percent compared with last year.

North America – several deals of a re-occurring nature were concluded during the quarter. Volumes were somewhat lower compared with the previous period. Sales in the region declined 8 percent compared with last year.

Asia and CIS – sales did not reach the same record level of the corresponding quarter last year. Authorities in Australia accounted for a high degree of license renewal and Australia remains the largest single market within the region. Sales in the region declined 43 percent compared with last year.

Products

Development of new products within the concept MSAB Ecosystem continued. The first Ecosystem products were launched during the quarter as planned. XAMN Spotlight was developed and launched for effective, fast analysis and reporting of data. This product was developed to support crime investigators in effective identification of important information, and to make it possible to solve crimes faster. A new version of XRY, for extraction and recovery of data, was launched during the quarter.

Training

The training and course programme has been expanded with a number of new, advanced courses for products within the Ecosystem concept. The new courses did not really take off during the quarter. Sales remained at the same level as for the previous year. Training activities comprised 10 (10) percent of net sales.

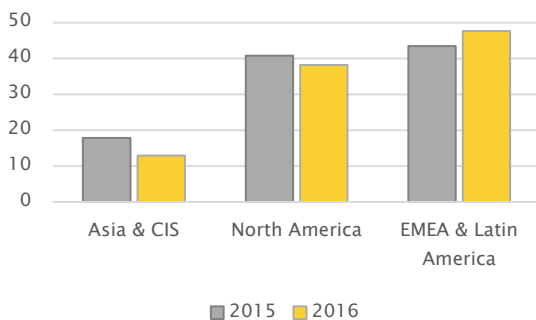
Important events during the quarter

- The AGM decided on a dividend of SEK 2.20 per share.

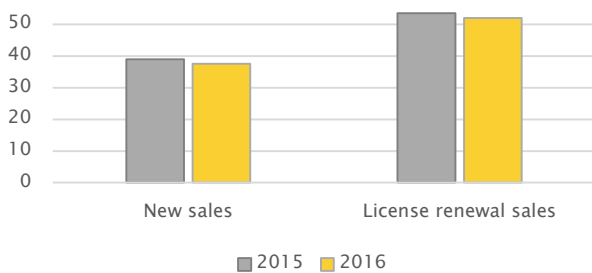
Important post-quarter events

- A new subsidiary was established in Singapore.
- Henrik Bergentoft was appointed as new CFO starting August 22, 2016..

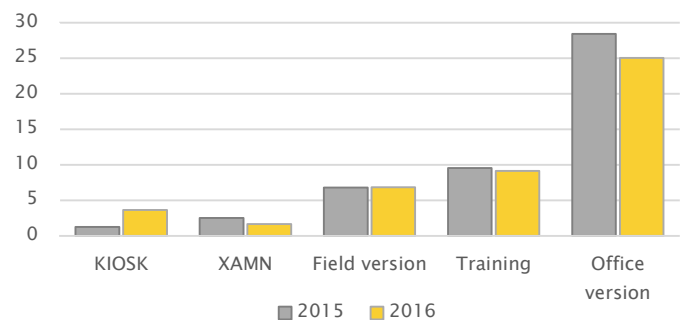
Sales distribution by regions MSEK, Jan-Jun



Product sales distribution MSEK, Jan-Jun



New sales distribution MSEK, Jan-Jun



Comments on financial developments

Net sales

Consolidated net sales increased during the second quarter by 0.9 percent to SEK 52.0 (51.5) million, but decreased for the period by -3.2 percent to SEK 98.8 (102.1) million. In local currencies, net sales increased 4.3 percent for the quarter, but declined -1.0 percent for the period.

Expenses

Expenses for goods for resale amounted to SEK 1.8 (3.8) million during the quarter, and for the period SEK 5.7 (6.5) million. Other external costs for the quarter amounted to SEK 14.5 (13.0) million, and SEK 25.7 (24.6) million for the period. Personnel costs were SEK 26.8 (24.3) million for the quarter, and SEK 52.8 (47.2) million for the period.

Profit/Loss

EBIT for the quarter amounted to SEK 8.5 (10.1) million, which corresponds to an operating margin of 16.3 (19.5) percent. EBIT for the period amounted to SEK 13.8 (22.9) million, which corresponds to an operating margin of 14.0 (22.4) percent. In local currencies, the operating margin for the quarter was 18.0 percent and for the period 15.3 percent.

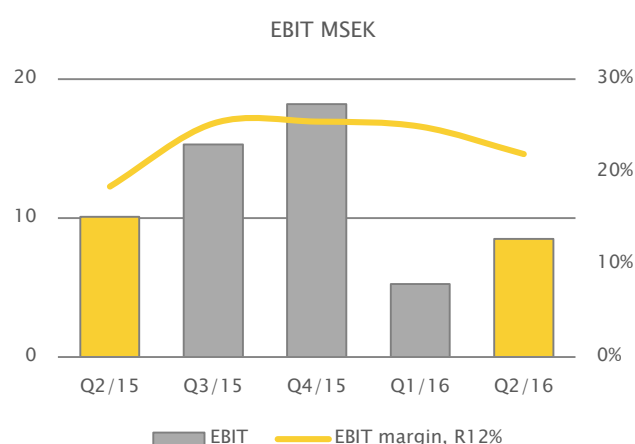
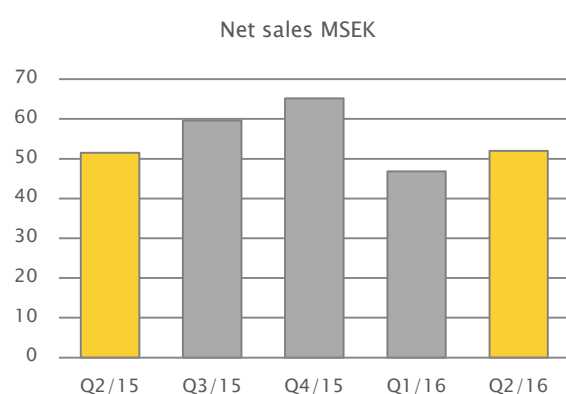
Net financial income/expense amounted to SEK 0.5 (-1.3) million for the quarter, and SEK 0.5 (1.0) million for the period. Net financial income/expense comprised primarily revaluation of cash and cash equivalents in foreign currencies. Matching of revenues and expenses in the same currencies is done to the extent possible. A certain amount of hedging is done against estimated future cash inflows. Profit after tax for the quarter was SEK 6.5 (6.1) million, and for the period SEK 9.8 (17.2) million.

Cash flow and financial position

The equity ratio at the end of the period was 53.3 (51.2) percent. Cash flow from operating activities for the quarter was SEK 3.3 (6.0) million, and for the period was SEK 8.5 (22.7) million. During the quarter, dividends totalling SEK 40.4 (17.9) million were paid out to shareholders. Cash and cash equivalents at the end of the period was SEK 78.6 (70.2) million.

Personnel

The number of employees in the Group at the end of the period was 116 (109). The average number of employees was 114 (105).



Other

Seasonal effects

MSAB is not dependent on certain seasons in the sense usually intended by the term seasonal effects. Most of the Company's customers, however, use the calendar year as their budget period which has been reflected in sales historically, such 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 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.

The Parent Company

The Parent Company's net sales for the period amounted to SEK 70.4 (75.0) million. EBIT for the period was SEK 10.6 (19.5) million. Investments for the period amounted to SEK 0.3 (1.5) million. The number of persons employed in the Parent Company at the end of the period was 88 (82).

Related party transactions

There were no related party transactions during the quarter.

Financial calendar

21 October	Interim Report, January–September
31 January, 2017	Year-end Report

The information in this report is such that MSAB, Corporate ID no. 556244–3050, is required to disclose in accordance with the Swedish Securities Markets Act. This information was submitted for publication on 22 July, 2016 at 08:00 CEST.

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
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Email: joel.bollo@msab.com

Declaration of the Board of Directors and CEO

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, 22 July, 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

This interim report has not been reviewed by the Company's auditors.

Consolidated income statement in summary

MSEK	Apr-June		Jan-June		12 months	Full year
	2016	2015	2016	2015	July-June	2015
Net sales	52.0	51.5	98.8	102.1	223.6	226.9
Cost of goods sold	-1.8	-3.8	-5.7	-6.5	-19.4	-20.2
Other external costs	-14.5	-13.0	-25.7	-24.6	-51.1	-50.0
Personnel costs	-26.8	-24.3	-52.8	-47.2	-104.3	-98.7
Depreciation of fixed assets	-0.4	-0.3	-0.8	-0.9	-1.5	-1.6
Total operating cost	-43.5	-41.4	-85.0	-79.2	-176.3	-170.5
Operating profit – EBIT	8.5	10.1	13.8	22.9	47.3	56.4
Financial income	1.1	0.8	1.9	3.9	6.3	8.3
Financial expenses	-0.6	-2.1	-1.4	-2.9	-4.6	-6.1
Profit/loss before tax	9.0	8.7	14.3	23.9	49.0	58.6
Tax	-2.5	-2.6	-4.5	-6.7	-11.3	-13.5
Net profit/loss after tax	6.5	6.1	9.8	17.2	37.7	45.1
OTHER COMPREHENSIVE INCOME						
<i>Items to be reclassified to profit and loss</i>						
Currency translation differences	0.6	-0.8	-0.4	0.2	-0.2	-0.6
Tax on currency translation differences	-	0.1	0.1	-	0.1	0.1
Change in hedging reserves	-	-0.6	-	0.6	1.1	0.5
Tax on hedging reserves	-	0.1	-	-0.1	-0.2	-0.1
Total comprehensive income	7.1	4.9	9.5	17.9	38.5	45.1
Comprehensive income for the period attributable to the shareholders of the parent company	7.1	4.9	9.5	17.9	38.5	45.1

Key figures

	Apr-June		Jan-June		12 months	
	2016	2015	2016	2015	July-June	2015
Revenue growth, %	0.9	37.3	-3.2	46.9	-1.4	25.4
EBIT-margin, %	16.3	19.5	14.0	22.4	21.2	24.9
Cash flow from operating activities per share, SEK	0.18	0.33	0.46	1.25	2.51	3.16
Return on equity, %	9.9	12.2	14.9	34.4	39.3	58.6
Return on capital employed, %	14.6	21.7	24.0	53.6	81.2	84.0
Equity per share, SEK	3.69	3.49	3.69	3.49	3.69	4.99
Earnings per share, basic, SEK	0.35	0.34	0.54	0.96	2.05	2.52
Earnings per share, diluted, SEK	0.35	0.34	0.54	0.95	2.05	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	June-30		Dec-31
	2016	2015	2015
ASSETS			
Intangible assets	0.5	0.6	0.6
Tangible assets	2.3	2.6	2.7
Deferred tax asset	0.4	0.9	0.7
Total non-current assets	3.2	4.1	4.0
Inventories	6.4	7.6	5.2
Accounts receivable – trade	28.7	33.1	42.3
Current tax asset	1.6	3.6	1.2
Other current assets	8.6	5.8	4.6
Cash and cash equivalents	78.6	70.2	103.7
Total current assets	123.9	120.3	157.0
TOTAL ASSETS	127.1	124.4	161.0
EQUITY AND LIABILITIES			
Equity	67.8	63.7	90.9
Accounts payable – trade	2.2	5.2	5.0
Current tax liability	4.2	5.9	2.5
Other current liabilities	52.9	49.6	62.6
Total current liabilities	59.3	60.7	70.1
TOTAL EQUITY AND LIABILITIES	127.1	124.4	161.0

Change in equity

MSEK	June-30		Dec-31
	2016	2015	2015
Opening balance	90.9	63.2	63.2
Profit/loss for the period	9.5	17.9	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	67.8	63.7	90.9

Cash flow statement in summary

MSEK	April-June		Jan-June		Full year
	2016	2015	2016	2015	2015
Cash flow before working capital changes	7.6	4.9	11.9	19.4	46.8
Working capital changes	-4.3	1.1	-3.4	3.3	10.8
Cash flow from operating activities	3.3	6.0	8.5	22.7	57.6
Investments in fixed assets	-0.1	-0.7	-0.3	-1.5	-2.3
Conversion of investment fund to cash	-	9.1	-	9.1	9.1
Cash flow from investing activities	-0.1	8.4	-0.3	7.5	6.8
Dividend paid to shareholders	-40.4	-17.9	-40.4	-17.9	-17.9
Premium received for share option rights	-	0.4	7.8	0.4	0.5
Cash flow from financing activities	-40.4	-17.5	-32.6	-17.5	-17.4
Cash flow for the period	-37.2	-3.1	-24.4	12.7	47.0
Cash at the beginning of the period	115.1	74.1	103.7	56.5	56.5
Exchange rate difference in cash	0.7	-0.8	-0.7	1.0	0.2
Cash at the end of the period	78.6	70.2	78.6	70.2	103.7

Quarterly data

	2016		2015			2014				
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales, MSEK	52.0	46.8	65.2	59.6	51.5	50.5	65.5	45.9	37.6	31.9
EBIT, MSEK	8.5	5.3	18.2	15.3	10.1	12.8	19.5	11.4	-7.0	-9.8
EBIT-margin, %	16.3	11.3	28.0	25.7	19.5	25.4	29.7	24.7	-18.5	-30.5
Earnings per share, SEK	0.35	0.18	0.87	0.66	0.34	0.61	0.81	0.56	-0.37	-0.43
Return on equity, %	9.9	3.7	20.7	19.4	12.2	19.0	26.1	21.2	-15.9	-16.7
Return on capital employed, %	14.6	7.0	26.6	28.2	21.7	27.3	38.4	24.8	-14.9	-20.7
Equity ratio, %	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, SEK	0.18	0.28	1.12	0.79	0.33	0.92	1.30	0.06	0.49	-1.04
Equity per share, SEK	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 month 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				
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total assets, MSEK	127.1	161.6	160.9	145.7	124.4	137.0	126.4	99.6	86.8	82.1
Accounts payables, MSEK	-2.2	-3.4	-5.0	-6.7	-5.2	-3.1	-12.7	-4.3	-3.1	-3.6
Tax liabilities, MSEK	-4.2	-3.8	-2.5	-8.3	-5.9	-4.7	-2.0	-1.8	-2.8	-2.5
Other liabilities, MSEK	-52.9	-53.3	-62.6	-55.2	-49.6	-52.9	-48.5	-45.5	-44.5	-35.2
Capital employed, MSEK	67.8	101.1	90.8	75.5	63.7	76.2	63.2	47.9	36.4	40.7
Average capital employed, MSEK	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-June	
	2016	2015
Net sales	70.4	75.0
Cost of goods sold	-5.7	-5.8
Other external costs	-17.2	-16.8
Personnell costs	-36.1	-32.0
Depreciation of fixed assets	-0.8	-0.8
Total operating cost	-59.8	-55.5
Operating profit - EBIT	10.6	19.5
Net financial items	2.9	1.0
Profit/loss before tax	13.5	20.6
Tax	-3.0	-4.5
Net profit/loss after tax	10.5	16.0

Statement of comprehensive income

MSEK	Jan-June	
	2016	2015
Net profit/loss after tax	10.5	16.0
Change in hedging reserves	-	0.7
Tax on hedging reserves	-	-0.1
Total comprehensive income	10.5	16.6

Parent company balance sheet in summary

MSEK	June-30	
	2016	2015
ASSETS		
Intangible assets	0.5	0.6
Tangible assets	2.1	2.6
Shares in group companies	-	-
Total fixed assets	2.6	3.2
Inventories	6.4	7.6
Accounts receivable – trade	10.2	31.5
Other current assets	31.8	7.3
Cash and cash equivalents	35.9	37.0
Total current assets	84.3	83.4
TOTAL ASSETS	86.9	86.6
EQUITY AND LIABILITIES		
Share capital	3.8	3.7
Statutory reserve	20.3	20.3
<i>Restricted equity</i>	24.1	24.0
Share premium	7.8	-
Profit brought forward	23.3	29.6
<i>Non-restricted equity</i>	31.1	29.6
Total equity	55.2	53.6
Accounts payable – trade	1.9	4.6
Current tax liability	3.0	4.5
Other current liabilities	26.8	23.9
Total current liabilities	31.7	33.0
TOTAL EQUITY AND LIABILITIES	86.9	86.6