

Interim report January – September 2015

Sales growth with stronger margins

Third quarter

- Net sales increased by 29.8 % to MSEK 59.6 (45.9), (15.1 % in local currencies)
- EBIT increased to MSEK 15.3 (11.4)
- EBIT-margin was 25.7 (24.7) %, (19.8 % in local currencies)
- Profit after tax was MSEK 12.0 (10.0)
- Earnings per share before dilution amounted to SEK 0.67 (0.56)
- Earnings per share after dilution amounted to SEK 0.66 (0.56)
- Cash flow from operating activities amounted to MSEK 14.4 (1.1)

January – September

- Net sales increased by 40.1 % to MSEK 161.7 (115.4), (23.3 % in local currencies)
- EBIT increased to MSEK 38.2 (–5.4)
- EBIT-margin was 23.6 (–4.6) %, (17.5 % in local currencies)
- Profit after tax was MSEK 29.2 (–4.2)
- Earnings per share before dilution amounted to SEK 1.63 (–0.23)
- Earnings per share after dilution amounted to SEK 1.60 (–0.23)
- Cash flow from operating activities amounted to MSEK 37.1 (–8.6)
- Cash and cash equivalents amounted to MSEK 84.9 (42.1) at the end of the period

+30%

Net sales, Q3

26%

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 over 100 countries. The products are complemented by a wide range of training courses, with the opportunity to become certified in a forensically sound method of extracting data from mobile devices. Customers are primarily authorities involved in performing criminal investigations, such as police, customs and the military. MSAB is listed on NASDAQ Stockholm under the ticker symbol: MSAB B.

Comments by the CEO

MSAB's net sales growth for the period January – September 2015 was 40.1 (19.6) % with sales of MSEK 161.7 (115.4). EBIT increased to MSEK 38.2 (–5.4), corresponding to an EBIT-margin of 23.6 (–4.6) %. This is the strongest nine-month period ever in the history of the company. The comparative figure for 2014 is impacted by non-recurring expenses related to the ongoing litigation at the time and incentive program-related costs. Excluding these costs, EBIT for the first nine months of 2014 would have been MSEK 16.3. Currency adjusted sales growth for the period is 23.3 %.

Growth remains extensive and all regions are growing. After a strong Q3, North America has become our largest market for the first time, accounting for about 45 % of sales after nine months. EMEA, our oldest market, is very important for MSAB and accounts for about 40 % of sales for the period. Asia and the CIS is the region that is growing most in terms of percent. Growth to date is 76 % increase, and now accounts for 15 % of the company's total sales.

Mobile phones are of interest in all types of crime. In both sophisticated, cross border financial crime and everyday crime, information from mobile devices is often crucial for criminal investigations. Our customers rarely have the capacity to secure evidence in as many phones as would be desirable. More and more law enforcement agencies need to establish a policy to address the growing number of phones and the amount of data they need to process and analyse. Efficiency solutions are essential for effective law enforcement and the XRY family is such a solution.

MSAB has developed a concept over several years where we not only have a number of products to meet the needs of different users, but where there is also a logical and strategic connection between all components. Today MSAB has a complete platform of products, each of which fulfils a function in a forensic ecosystem. Our unique strength lies in how our system solutions convey data to different customer functions in a manner that is forensically and legally secure.

The British police in general, and the Metropolitan Police Service (MPS) in particular, have been at the forefront of new technology and the use of evidence secured from mobile phones. MPS is currently undergoing an extensive renewal and change process aimed at optimising costs and streamlining its operations. Our products and expertise in mobile forensics will be an important part of this renewal process. The UK is a market where MSAB's products seen great success from an early stage. MPS is now taking the next step and implementing our products at a strategic level, which is particularly positive since other organisations around the world will have a reference on how efficient and cost effective it is to use MSAB's solutions.

We have long had the aspiration to showcase our offering to serve as a strategic resource for our client base in crime fighting and intelligence. The development at the Metropolitan Police Service show that we are on the way to succeed in this endeavour.

Stockholm October 2015

Joel Bollö
President & CEO

Operations during the quarter

The market

EMEA & Latin America – the UK Police is a pioneer in mobile forensics. MPS has strategically invested in 60 devices of XRY Kiosk and training to optimise costs and streamline its operations. Roll-out is scheduled for the fourth quarter. The French police have invested in an additional XRY system supplemented by the XAMN analysis tool. The response has been consistently positive. Compared with the previous year, the region is growing by 7 % for the quarter and 19 % for the period.

North America – major deals have been signed with the federal government regarding both the Office and Field Version systems. Several deals that are recurring in nature have been won with the federal government, which contributes to a favourable license renewal rate. Developments within state and local agencies remain strong. Compared with the previous year, the region is growing by 46 % for the quarter and 54 % for the period. This growth is partly due to a stronger USD.

Asia and CIS – our new distributor won the first major deal with the Japanese police. The company also won a substantial contract with the Turkish police. Compared with the previous year, the region is growing by 56 % for the quarter and 76 % for the period.

Products

MSAB Kiosk MK2 was launched and is based on new hardware. Customers have requested a camera, which is offered as an option in the new version. The purpose is to be able to conveniently document and simultaneously store information on the physical device. The software workflow has significantly improved and the upgrade process is much easier in the new version.

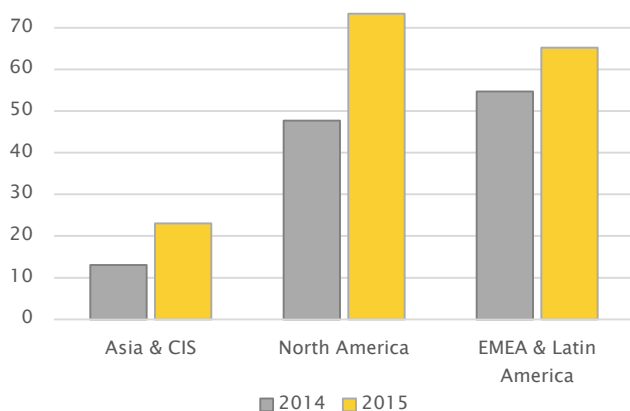
Training

The demand for training continues to be strong, especially in the US. Additional teachers have been engaged to meet the demand for the company's training programs. Compared with the previous year, training is growing by 14 % for the quarter and 44 % for the period.

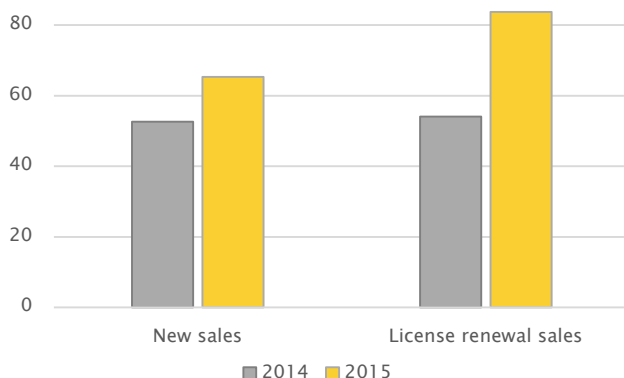
Important events during the quarter

- MSAB launched MSAB Kiosk MK2. This successor to the previous XRY Kiosk is aimed at users who need to quickly confirm or refute suspicions.
- MSAB received an order for MSAB Kiosk MK2 from Metropolitan Police. The order is for 60 systems with an associated training package for a total equivalent to about MSEK 5.5. The systems will be leased and recognised as revenue on a straight-line basis over 18 months.

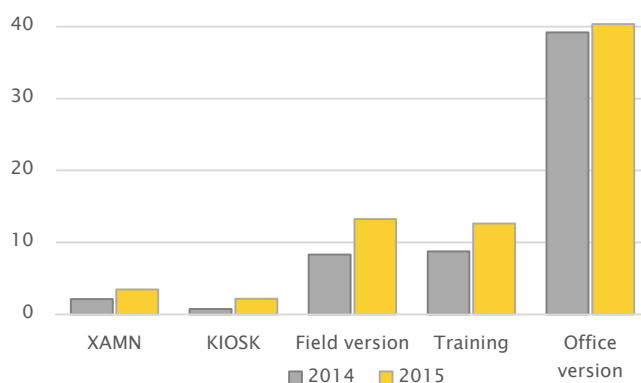
Sales distribution by regions MSEK, Jan-Sep



Product sales distribution MSEK, Jan-Sep



New sales distribution MSEK, Jan-Sep



Comments on the financial development

Net sales

The Group's net sales increased during the third quarter by 29.8 % to MSEK 59.6 (45.9) and for the period by 40.1 % to MSEK 161.7 (115.4). In local currencies, net sales increased by 15.1 % for the quarter and by 23.3 % for the period.

Costs

The cost of goods sold for the quarter was MSEK 7.8 (3.5) and for the period MSEK 14.3 (8.7). The cost increase is mainly due to higher sales volumes of hardware-intensive products.

Other external costs for the quarter amounted to MSEK 12.1 (11.2) and for the period MSEK 36.7 (44.1). Expenses attributable to an earlier legal dispute of MSEK 12.4 had a negative impact on the previous year.

Personnel costs for the quarter totalled MSEK 24.1 (19.2) and for the period MSEK 71.3 (66.8). The cost increase is mainly due to an increased number of employees. Incentive program costs of MSEK 9.2 had a negative impact in the corresponding period of the previous year.

Profit & loss

EBIT for the quarter amounted to MSEK 15.3 (11.4), corresponding to an EBIT-margin of 25.7 (24.7) %. EBIT for the period amounted to MSEK 38.2 (–5.4), corresponding to an EBIT-margin of 23.6 (–4.6) %. In local currencies EBIT-margin for the quarter totalled 19.8 % and for the period 17.5 %.

Net financial items totalled MSEK 0.1 (–0.1) for the quarter and MSEK 1.1 (0.3) for the period. Net financial items primarily comprise the revaluation of cash and cash equivalents in foreign currencies. Matching of revenues and expenses in the same currencies takes place to the greatest extent possible. Currency hedging is done to some extent based on estimated future inflows. Net profit after taxes for the quarter totalled MSEK 12.0 (10.0) and for the period MSEK 29.2 (–4.2).

Cash flow and financial position

The equity ratio at the end of the period was 51.8 (48.2) %. Cash flow from operating activities for the quarter totalled MSEK 14.4 (1.1) and for the period MSEK 37.1 (–8.6).

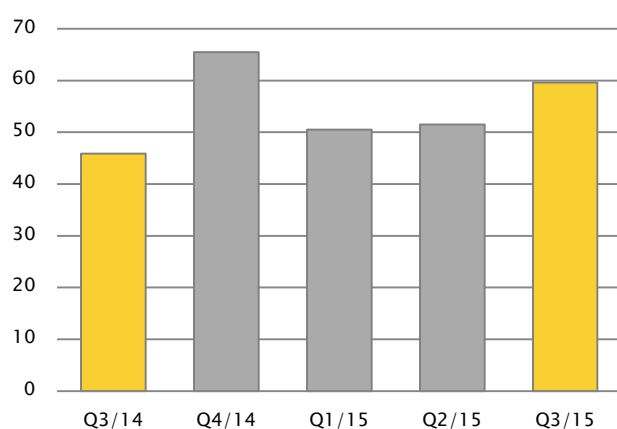
During the period, shareholders received dividends totalling MSEK 17.9 (1.8). Divested fund units were added to cash corresponding to MSEK 9.1 (0.0).

Cash and cash equivalents amounted to MSEK 84.9 (42.2) at the end of the period. Investments for the period amounted to MSEK 1.7 (0.1).

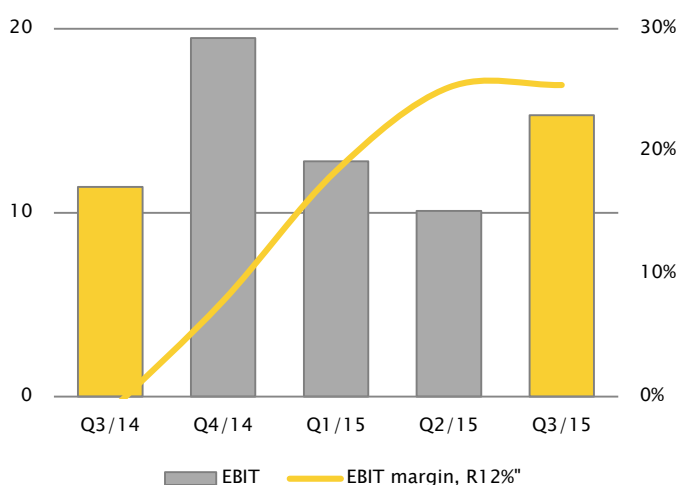
Employees

The Group had 113 (98) employees at the end of the period. The average number of employees was 107 (92).

Net sales MSEK



EBIT MSEK



Other

Seasonal effects

MSAB does not depend on certain seasons in the sense that is usually intended by the term seasonal effects. However, most of the company's customers use the calendar year as their budget period, which historically has been reflected in sales so that the fourth quarter is stronger than other quarters during a calendar year.

Risks and uncertainties

The Group's activities expose it to risks and uncertainties. In addition to currency exposure due to foreign subsidiaries, as well as the fact that most invoicing from Sweden is denominated in foreign currencies, information about risks and uncertainties can be found in greater detail in the 2014 annual report. The annual report is available on the company's website.

Accounting policies

This interim report was 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.

The accounting policies applied for the Group and the parent company are consistent, unless otherwise stated, with the accounting policies used in the preparation of the most recent annual report.

New and amended IFRS standards, interpretations by the IFRS Interpretations Committee, and amendments to RFR 2, applied from 1 January 2015, have no impact on the parent company's or Group's financial statements.

Assets measured at fair value

As at 30 September 2015 financial assets, measured at fair value, amounted to MSEK 0.1 regarding forward contracts. Assets are valued according to level 2 principles on the closing date.

Measurement at fair value of forward exchange contracts is based on quoted forward prices in an active market.

Annual general meeting 2016

The Annual General Meeting will be held in Stockholm on 10 May 2016. Shareholders wishing to have a matter addressed at the AGM must submit a written proposal no later than 5 February to ensure that the matter can be included in the notice to attend the AGM.

Nominating committee

The Nominating Committee for MSAB comprises the chair, Erik Hermansson (Humble Kapitalförvaltning AB) as well as members Henrik Tjernberg and Joakim Dahl (Edastra AB). The task of the Nominating Committee is to develop proposals for a chair of the AGM, the Board of Directors, chairman of the Board, auditors, fees for the Board and auditors, as well as proposals for Nominating Committee procedures.

Parent company

Parent company net sales amounted to MSEK 119.1 (85.8). EBIT amounted to MSEK 32.1 (-6.7). Investments for the period amounted to MSEK 1.7 (0.1). The parent company had 84 (75) employees at the end of the period.

Incentive programme 2015–2018

On 6 May 2015, the Annual General Meeting resolved to implement a long-term incentive program for the company's senior executives and key personnel with the exception of CEO Joel Bollö and CTO Örjan Gatu. The scheme has had no impact on profit other than limited administrative costs. For further information on this and other incentive schemes please see the company's website.

Related party transactions

No related party transactions occurred during the quarter.

Future reports

29 January 2016 Year-end Report 2015

The information in this interim report is such information that MSAB, 556244-3050, is required to publicly disclose under the Swedish Securities Market. The information was submitted for publication on 23 October 2015 at 08:00 a.m. CEST.

This report and earlier financial reports and press releases can be found on the company's website www.msab.com.

Send questions to:

Chairman of the board Henrik Tjernberg, tel. +46 (0)8-739 02 70, e-mail: henrik.tjernberg@msab.com

This interim report is a translation for information purposes only – in case of any discrepancies between this version and the Swedish, the Swedish version shall prevail.

Board and CEO's statement

The undersigned certify that this interim report provides, according to current regulations, a true and fair overview of the development of the parent company's and the group's business activities, financial position and results of operations, as well as the significant risks and uncertainties to which the parent company and the companies included in the Group are exposed.

Stockholm 22 October 2015

Micro Systemation AB (publ)

Corporate ID no. 556244-3050

Henrik Tjernberg	Joel Bollö	Robert Ahldin	Örjan Gatu
Chairman	Chief Executive Officer	Board member	Board member

Ulf Arnetz	Jan-Olof Backman	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 1 January – 30 September 2015. 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, 22 October 2015

Deloitte AB

Erik Olin – Signature on Swedish original
Authorized Public Accountant

Consolidated income statement in summary

MSEK	Jul-Sep		Jan-Sep		12 Month	Full year
	2015	2014	2015	2014	Oct-Sep	2014
Net sales	59.6	45.9	161.7	115.4	227.3	181.0
Cost of goods sold	- 7.8	- 3.5	- 14.3	- 8.7	- 24.2	- 18.6
Other external costs	- 12.1	- 11.2	- 36.7	- 44.1	- 49.3	- 56.7
Personnel costs	- 24.1	- 19.2	- 71.3	- 66.8	- 94.6	- 90.1
Depreciation of fixed assets	- 0.3	- 0.6	- 1.2	- 1.2	- 1.5	- 1.5
Total operating cost	- 44.3	- 34.5	- 123.5	- 120.8	- 169.6	- 166.9
Operating profit – EBIT	15.3	11.4	38.2	- 5.4	57.7	14.1
Net financial items	0.1	- 0.1	1.1	0.3	1.4	0.6
Profit/loss before tax	15.4	11.3	39.3	- 5.1	59.1	14.7
Tax	- 3.4	- 1.3	- 10.1	0.9	- 15.3	- 4.3
Net profit/loss after tax	12.0	10.0	29.2	- 4.2	43.8	10.4
OTHER COMPREHENSIVE INCOME						
<i>Items to be reclassified to profit and loss</i>						
Currency translation differences	- 0.3	2.1	- 0.1	2.2	2.0	4.2
Tax on currency translation differences	0.1	-	0.1	-	0.6	0.7
Change in hedging reserves	-	0.3	0.6	0.3	0.2	0.5
Tax on hedging reserves	-	- 0.1	- 0.1	- 0.1	0.1	0.1
Total comprehensive income	11.7	12.3	29.6	- 1.8	45.0	13.5
Comprehensive income for the period attributable to the shareholders of the parent company	11.7	12.3	29.6	- 1.8	45.0	13.5

Key figures

	Jul-Sep		Jan-Sep		12 Month	Full year
	2015	2014	2015	2014	Oct-Sep	2014
Revenue growth, %	29.8	42.3	40.1	19.6	45.2	31.6
EBIT–margin EBIT, %	25.7	24.7	23.6	-4.6	25.4	7.8
Cash flow from operating activities per share, SEK	0.79	0.06	2.04	-0.48	3.33	0.81
Return on equity, %	19.4	21.2	47.3	-8.8	70.9	18.6
Return on capital employed, %	28.2	24.8	71.7	-8.2	106.5	30.8
Equity per share, SEK	4.14	2.67	4.14	2.69	4.15	3.54
Earnings per share before dilution, SEK	0.67	0.56	1.63	-0.23	2.44	0.58
Earnings per share after dilution, SEK	0.66	0.56	1.60	-0.23	2.41	0.58
Average number of shares after dilution, million	17.9	17.9	17.9	17.8	17.9	17.8
Average number of shares before dilution, million	18.2	17.9	18.2	17.8	18.2	17.8

Consolidated balance sheet in summary

MSEK	Sep-30		Dec-31
	2015	2014	2014
ASSETS			
Intangible assets	0.6	0.6	0.6
Tangible assets	2.4	1.8	1.9
Deferred tax asset	0.3	–	1.9
Total non-current assets	3.3	2.4	4.4
Inventories	7.4	6.3	7.1
Accounts receivable – trade	37.9	36.3	44.0
Current tax asset	6.0	7.3	–
Other current assets	6.1	5.1	5.3
Other investments	–	9.1	9.1
Cash and cash equivalents	84.9	33.1	56.5
Total current assets	142.3	97.2	122.0
TOTAL ASSETS	145.6	99.6	126.4
EQUITY AND LIABILITIES			
Equity	75.4	47.9	63.2
Accounts payable – trade	6.7	4.3	12.7
Current tax liability	8.3	1.8	2.0
Other current liabilities	55.2	45.6	48.5
Total current liabilities	70.2	51.7	63.2
TOTAL EQUITY AND LIABILITIES	145.6	99.6	126.4

Change in equity

MSEK	Sep-30		Dec-31
	2015	2014	2014
Opening balance	63.2	48.2	48.2
Profit/loss for the period	29.6	–	1.8
Incentive program	–	3.0	3.0
Issue of share option rights	0.5	0.3	0.3
Dividend	–	17.9	–
Equity at the end of the period	75.4	47.9	63.2

Cash flow statement in summary

MSEK	Jul-Sep		Jan-Sep		Full year	
	2015	2014	2015	2014	2014	
Cash flow before working capital changes	12.8	12.2	32.2	- 0.2	23.0	
Working capital changes	1.6	- 11.1	4.9	- 8.4	8.2	
Cash flow from operating activities	14.4	1.1	37.1	- 8.6	14.8	
Investments in fixed assets	- 0.2	-	- 1.7	- 0.1	0.6	
Conversion of fund units to cash	-	-	9.1	-	-	
Cash flow from investing activities	- 0.2	-	7.4	- 0.1	0.6	
Dividend paid to shareholders	-	-	- 17.9	- 1.8	1.8	
Premium received for share option rights	-	-	0.5	0.3	0.3	
Cash flow from financing activities	-	-	- 17.4	- 1.5	1.5	
Cash flow for the period	14.2	1.1	27.1	- 10.2	12.7	
Cash at the beginning of the period	70.3	30.7	56.5	41.2	41.2	
Exchange rate difference in cash	0.4	1.3	1.3	2.1	2.6	
Cash at the end of the period	84.9	33.1	84.9	33.1	56.5	

Quarterly data

	2015			2014			2013				
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales, MSEK	59.6	51.5	50.5	65.5	45.9	37.6	31.9	41.0	32.3	35.9	28.3
EBIT, MSEK	15.3	10.1	12.8	19.5	11.4	-7.0	-9.8	3.5	1.6	5.1	-2.3
EBIT-margin, %	25.7	19.5	25.4	29.7	24.7	-18.5	-30.5	8.5	5.1	14.1	-8.1
Earnings per share, SEK	0.66	0.34	0.61	0.81	0.56	-0.37	-0.43	0.16	0.07	0.26	-0.10
Return on equity, %	19.4	12.2	19.0	26.1	21.2	-15.9	-16.7	5.5	2.7	10.8	-3.2
Return on capital employed, %	28.2	21.7	27.3	38.4	24.8	-14.9	-20.7	7.7	4.5	13.6	-2.8
Equity ratio, %	51.8	51.2	55.6	50.0	48.2	42.0	49.6	51.0	52.4	51.4	55.9
Cash flow – operating activities per share, SEK	0.79	0.33	0.92	1.30	0.06	0.49	-1.04	-0.05	-0.06	0.20	0.91
Equity per share, SEK	4.14	3.49	4.20	3.52	2.67	2.05	2.30	2.72	2.61	2.58	2.86

Definitions

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.

Equity per share

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

Parent company income statement in summary

MSEK	Jan-Sep	
	2015	2014
Net sales	119.1	85.8
Cost of goods sold	- 14.2	- 8.3
Other external costs	- 24.3	- 32.1
Personnel costs	- 47.3	- 51.0
Depreciation of fixed assets	- 1.2	- 1.1
Total operating cost	- 87.0	- 92.5
Operating profit – EBIT	32.1	- 6.7
Net financial items	1.2	1.6
Profit/loss before tax	33.3	- 5.1
Tax	- 7.3	1.1
Net profit/loss after tax	26.0	- 4.0

Statement of comprehensive income

MSEK	Jan-Sep	
	2015	2014
Net profit/loss after tax	26.0	- 4.0
Change in hedging reserves	0.6	0.3
Tax on hedging reserves	- 0.1	0.1
Total comprehensive income	26.5	3.8

Parent company balance sheet in summary

MSEK	Sep-30	
	2015	2014
ASSETS		
Intangible assets	0.6	0.6
Tangible assets	2.3	1.8
Shares in group companies	–	–
Total fixed assets	2.9	2.4
Inventories	7.4	6.3
Accounts receivable – trade	37.5	30.3
Current tax asset	–	5.0
Other current assets	5.6	6.3
Other investments	–	9.1
Cash and cash equivalents	45.8	7.8
Total current assets	96.3	64.8
TOTAL ASSETS	99.2	67.2
EQUITY AND LIABILITIES		
Share capital	3.7	3.7
Statutory reserve	20.3	20.3
<i>Restricted equity</i>	24.0	24.0
Profit brought forward	39.9	14.4
<i>Non-restricted equity</i>	39.9	14.4
Total equity	63.9	38.4
Accounts payable – trade	6.9	4.0
Current tax liability	2.8	2.3
Other current liabilities	25.6	22.5
Total current liabilities	35.3	28.8
TOTAL EQUITY AND LIABILITIES	99.2	67.2