

**Sensys
Gatso
Group**

›2021

Annual Report

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2021 Annual Report

Sensys Gatso Group AB is a Swedish company that is subject to Swedish legislation. All amounts are expressed in Swedish kronor. Millions of kronor are abbreviated to MSEK and thousands to TSEK. Numerical data within parentheses refer to the 2020 financial year, unless otherwise stated. Data on market and competition conditions are Sensys Gatso Group's own estimates. These estimates are based on most up-to-date available information from published sources.

Financial information, both in Swedish and English, is available at www.sensysgatso.com under Investera/Investors, where a printed copy of the Annual Report may also be ordered. A copy of the Annual Report can also be obtained by calling +46 (0)36-34 29 80, or by e-mailing a request to info@sensysgatso.com.

Our Purpose

People make mistakes.
And those mistakes have consequences.
Dramatic consequences.
Each day, over 3,500 people die.
Not through sickness or old age.
But through traffic crashes.

We battle this each day.
A battle against overconfidence and acceptance.
We are all excellent drivers. In our minds.
Until we actually get behind the wheel and drive.
A traffic accident?
It happens.
It's part of driving in traffic.

No.
We refuse to accept this.
It's our calling to come up with solutions.
This is why Gatso refused to accept human measurement errors.
And why Sensys fought against the idea
that traffic victims are just the reality of sharing the road.

A combination of these strengths was clearly meant to be.
And so Sensys Gatso was born.
With a joint mission to improve traffic behavior.
Through intelligent, effective, and reliable enforcement.
All around the world.

From clear violation recording
to sending out the fine.
And from tailor-made products
to five star maintenance.
With our unique software at the heart of it all.

This is how we've made traffic enforcement a service.
And how we always create the best solutions for our customers.

Sensys Gatso. Making traffic safer.

Our Mission

Sensys Gatso - Making traffic safer

Our Vision

"Our vision is to be an innovator in traffic management by providing software and services for a safer and more sustainable environment."

Comments from the CEO: "Software and data enable further growth"

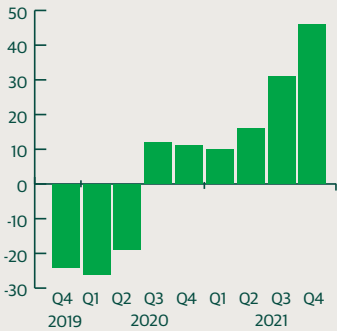
I am proud of the outstanding result the global Sensys Gatso team has delivered in 2021. In challenging COVID circumstances, with lockdowns in many countries, the team did an amazing job. We grew both our topline and our profitability with double digits. Most of all we continued to deliver on our promise - to help change behavior in traffic in order to reduce the number of casualties in traffic.



Continued strong profitable growth

When looking back at 2021, I am pleased with how our profitability has developed during this challenging year. We ended 2021 with an even better result in the fourth quarter than in the third quarter as well as with the comparison quarter last year. The EBITDA arrived at SEK 38 million, 61% higher than last year. For the full year the EBITDA arrived at SEK 84 million, 41% higher than in 2020 and 16% of Net Sales. The Operating profit EBIT landed for the full year at SEK 46 million, four times higher than last year. We achieved these results because of our larger share of TRaaS business and our outstanding uptime performance resulting in customer end of year bonuses. All in all a steady profit improvement throughout the year and proof of the effectiveness of our strategic focus on the profitable recurring TRaaS business.

Operating profit (EBIT) 12 Months rolling MSEK



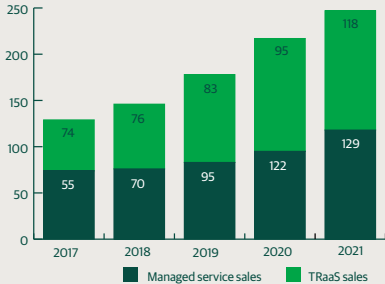
Saudi Arabia contract in steady delivery mode

During 2021 we steadily delivered on our large contract with our Customer in Saudi Arabia. It is our second contract signed with this customer in August 2020 with a total contract value of SEK 275 million. The execution and rollout of projects characterized by this size and solution type in combination with complex customer and end customer networks in a dynamic market is always challenging. Although this complexity can sometimes slow down deliveries, it is more important that the progress happens steadily and correctly, in order to ensure customer satisfaction. To date we have delivered in total 55% of the contract. The remaining SEK 124 million of the contract is expected to be delivered throughout 2022.

Proven TRaaS business model pushes growth

Our total Sales grew in 2021 by 11% to SEK 507 million. The strategic recurring TRaaS business demonstrated higher growth levels with 28% in the fourth quarter and 14% growth for the full year. TRaaS is an important solution. This Business Process Outsourcing business model creates long-term business relations, recurring revenues and higher margins. Our main TRaaS market is the USA, where we continue to grow our business. In the USA we added three new contracts in 2021 and to date in 2022 yet another three. This demonstrates the anticipated interest in the USA to implement Automated Traffic Enforcement. By the end of 2021, our TRaaS business represented 49% of total Sales.

TRaaS Sales MSEK



Investments for future growth

During 2021 we significantly invested in the core development of our three software platforms FLUX, Xilium and PULS to the amount of SEK 18 million, 28% more than last year. In addition, we deployed capital to our fixed assets in Operations in the USA, supporting our TRaaS Managed Service programs from the amount of SEK 21 million, 50% more than last year. These investments are the foundation for further profitable growth in the future.

Software and data enable further US Growth

Our installed base in the USA generated more than 540 million data points of cars passing by our cameras in the last three years. This vast amount of anonymous data points, combined with data from other sources, generates valuable information for Sensys Gatso and our customers. By using data analytics, we can optimize the locations of our cameras to help reduce traffic incidents with the maximum effect.

Information from our installed base is also an effective sales enabler to predict the impact of Sensys Gatso's Automated Traffic Enforcement solutions for future customers.

Our revised business plan for the US market centers around this proactive sales model. With the recently signed transportation authorization bill that includes, for the first time ever, explicit federal funding support for speed cameras, we also have positive momentum for Automated Traffic Enforcement in many new states and cities for Sensys Gatso.

Establishment and momentum in LATAM

In the second quarter of 2021 we established a new legal entity Sensys Gatso LATAM S.L. and we have recently entered the Colombian market with the Joint Venture between Sensys Gatso and Capatest. Colombia is a full TRaaS market, very similar to how our business in the USA is operated. The main difference is that contract periods are typically much longer, even up to 25 or 30 years. In the joint venture we combine Sensys Gatso's TRaaS Managed Services Model with local knowledge and experience in Traffic Enforcement. Two existing enforcement contracts currently operated by Capatest, supported with Sensys Gatso solutions, will be added to the Joint Venture once Sensys Gatso Colombia is fully operational. We expect this by the second half of 2022.

The Costa Rica national contract has still not started due to budget constraints at our customer. Together with our consortium partners, we have shifted the deployment of our solution in Costa Rica to municipalities. A successful implementation will possibly assist in starting the national project.

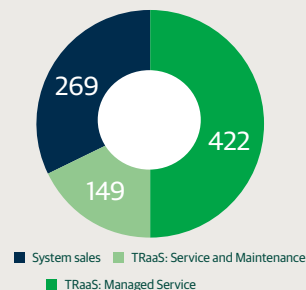
Meanwhile we have received our first order from Ecuador, a new market in the LATAM region. The active projects in Colombia, Costa Rica and Ecuador are evidence of the increased momentum we see in the LATAM region.

Our Company revolves around integrity

In January 2021 we informed the market about an investigation by the Fiscal Information and Investigation Service FIOD related to allegations of misconduct in Gatsometer B.V., before the acquisition by Sensys Traffic. Naturally we have fully cooperated with the investigative authorities and conducted an in-depth internal inquiry into the allegations, the result of which we shared with the FIOD. In the beginning of August we heard the formal outcome of the investigation. FIOD dismissed the allegations and did not proceed with any prosecution. Sensys Gatso will be compensated for our legal expenses. I am very happy with this positive, fast, and rare outcome in investigations of this kind. Our company revolves around integrity - it defines who we are as people, as a partner to our customers and how we design our solutions. Integrity guided us in our communication with the authorities, and with the market.

Order backlog of SEK 840 million

During the fourth quarter, the order intake arrived at SEK 195 million, 62% higher than last year. This is mainly driven by order intake of our joint venture in Colombia in which we have a controlling interest and where we consolidate the revenue for the remaining 17 years in the contracts. With a full year order intake of SEK 388 million in 2021 and 788 in 2020, we now have a backlog of SEK 840 million to be delivered mainly in 2022.



Supply chain costs stable throughout 2022

At Sensys Gatso we have long lead times for our sales, delivery and operations processes. Critical components are therefore sourced way in advance and have already been secured for 2022. Assembly of our systems takes place in our European factories, where most of the added value for our System Sales is realized. Our System Sales and Managed Services business models are hardly affected by increases in energy costs. Today, we expect no delivery issues in our supply chain and our supply chain costs to remain relatively stable throughout 2022.

Outlook

I am proud of the outstanding result the global Sensys Gatso team has delivered in 2021. In challenging COVID circumstances, with lockdowns in many countries and school closings in the USA, the team realized an EBITDA of no less than SEK 84 million, 41% higher than last year. This result is driven by the steady growth we see from our higher margin TRaaS business. It proves that our strategic focus on this recurring business segment is paying off.

Our financial position is solid with more than SEK 100 million cash freely available. Further, we have SEK 161 million of our working capital assets connected to active contracts and deliveries.

With investments of SEK 39 million in our software platforms and in fixed assets in TRaaS operations in the USA, together with a new data driven sales approach in the USA, we are gearing up for future growth.

We are ending the year with a backlog of SEK 840 million, most of which will be delivered to our customers in 2022. In the beginning of 2022 the world around us has changed with the new situation in Eastern Europe. We carefully monitor the situation and have not identified any immediate impact on our business as we have no suppliers, customers, employees or production in Ukraine or Russia. Based on this we retain our 2025 ambition to grow our net sales to more than SEK 1 billion, of which TRaaS revenues will be more than SEK 600 million. At the same time our goal is to deliver an EBITDA margin of at least 15 percent. In 2021 we have demonstrated that this is indeed feasible.

Ivo Mönnink,
CEO, Sensys Gatso Group AB

2021 in brief

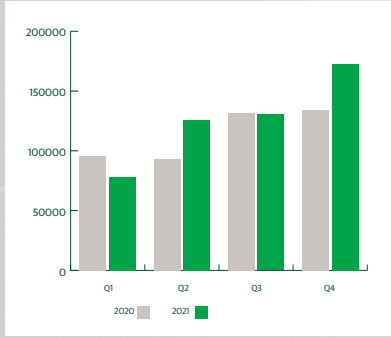
- » Order intake MSEK 368.2 (788.4)
- » Net sales MSEK 506.8 (454.9)
- » Gross margin (%) 35.6 (35.7)
- » EBITDA MSEK 83.5 (48.7)
- » Operating profit MSEK 45.9 (10.8)
- » The profit after tax MSEK 34.9 (3.9)
- » Cash flow from operating activities amounted to MSEK 9.1 (15.5)
- » Comprehensive income MSEK 45.5 (-15.7)
- » Earnings per share, before and after dilution, SEK 0.04 (0.01)



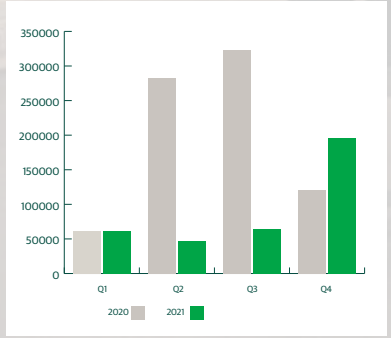
Making traffic safer™



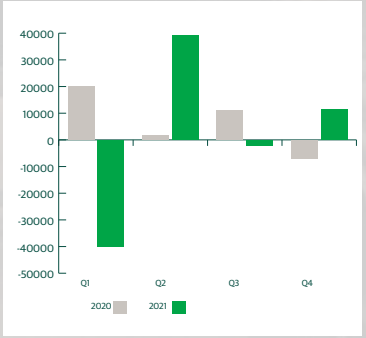
Net sales



Order intake



Cash flow



Significant events

Q1

- » 14 January - Sensys Gatso Netherlands, former Gatsometer B.V. and subsidiary to Sensys Gatso Group, is subject to investigation by authorities
- » 19 January - Sensys Gatso Group appoints Pär Degerman as new CTO
- » 21 January - Sensys Gatso has received a procurement award for red-light and speed enforcement in Belgium worth SEK 60 million
- » 26 February - Sensys Gatso receives an order from Fareco Group worth SEK 6.8 million
- » 20 March - Sensys Gatso Australia receives order for traffic safety systems and services worth SEK 16 million

Q3

- » 5 July - Sensys Gatso Group increases focus on the Latin America Region
- » 26 July - Sensys Gatso Australia receives order for traffic safety systems and services worth SEK 11 million and enables SGG's global solution development model
- » 3 August - Sensys Gatso receives final payment for first order from Tahakom, Saudi Arabia
- » 4 August - Sensys Gatso USA Receives Five-year TRaaS Contract from Hoschton, Georgia, worth SEK 10 million
- » 5 August - Investigation into Sensys Gatso Netherlands legally dismissed
- » 21 September - Sensys Gatso receives five-year TRaaS contract, valued at SEK 12 million for speed photo enforcement in the Village of Mayfield, Ohio
- » 23 September - Sensys Gatso receives orders from the United Arab Emirates worth SEK 5 million

Q2

- » 11 May - Sensys Gatso USA is awarded a five-year TRaaS contract from Livonia, Louisiana worth SEK 15 million
- » 24 May - Sensys Gatso receives second order from Malaysia worth SEK 11 million under the procurement award for traffic enforcement equipment

Q4

- » 25 October - Sensys Gatso establishes Sensys Gatso Colombia through a Joint Venture agreement with Capatest
- » 1 November - Sensys Gatso chosen to implement Low Emission Zone enforcement program in the City of Haarlem
- » 9 November - Sensys Gatso LATAM receives first order from new market Ecuador, worth approximately SEK 5 million
- » 10 November - Sensys Gatso receives additional order from the United Arab Emirates worth SEK 5 million
- » 18 November - Sensys Gatso Australia signs extension agreements for supply and maintenance of ANPR traffic safety systems to the state of New South Wales
- » 23 November - Sensys Gatso is Awarded a Five-Year Puls and Xilium Software license Contract Extension from Turkish Republic of Northern Cyprus, worth SEK 6 million
- » 28 December - Sensys Gatso receives a 5 year extension of the service agreement from the Swedish Transport Administration

A list of Sensys Gatso's press releases can be found on:

www.sensysgatso.com

Proven TRaaS business model pushes growth

Since the invention of the speed camera, we have continued to develop more innovative hardware and software. The next logical step in the evolution of traffic enforcement is to provide an all-in-one turn-key solution based on our intelligent, effective, and highly secure software platform. That's what happens when our Flux, Puls and Xilium products are combined to provide a single, comprehensive and customizable service.

TRaaS traffic enforcement as a Service (TRaaS) is a unique solution that is flexible, easily scalable, software oriented and future proof. With TRaaS we manage the entire enforcement process; from procurement and installation of the assets, to registering the violations and issuing the fine notifications. During this, the customer maintains full control, and exclusive access and oversight into the functioning of the total system.

Initial investment and maintenance included

Installing and staying up-to-date with your (automated) traffic enforcement solution requires an investment. With TRaaS it's possible to include this investment in the service agreement. This means that Sensys Gatso will cover some or all of the up-front costs. The customer can then settle the agreement in various ways, for instance through a percentage of the fine proceeds, allowing the investment to pay for itself over time.

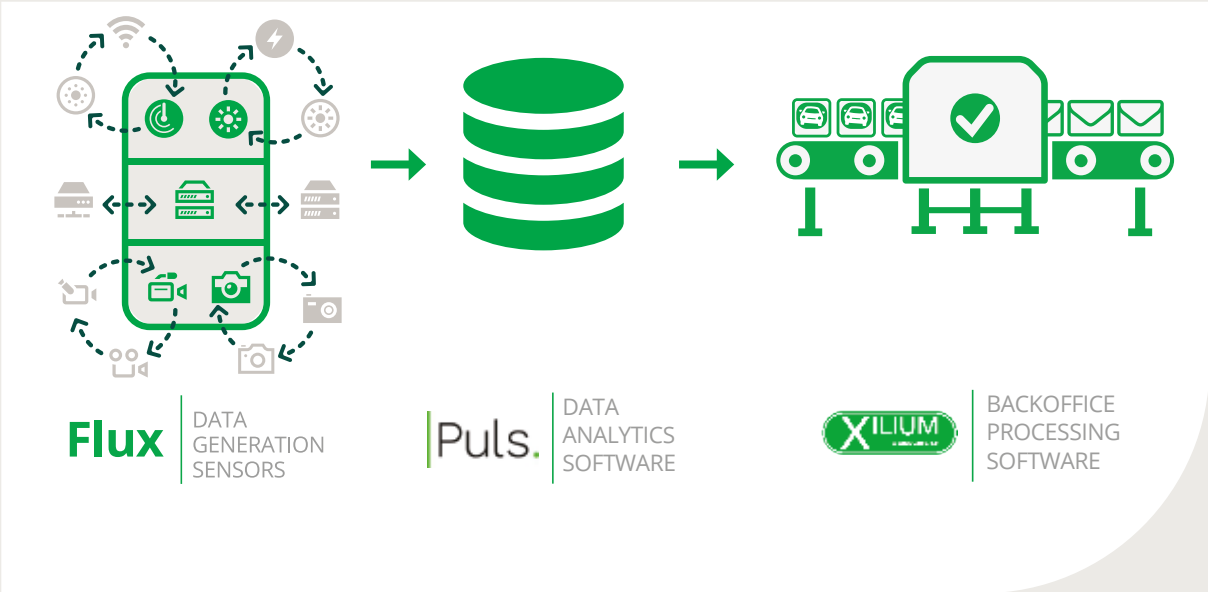
With TRaaS, Sensys Gatso staff will ensure that the complete enforcement chain is functioning 24/7. Our PULS software constantly monitor the entire system and react to any issue requiring support in order to comply with the established Service Level Agreements. To maximize up-time, regular updates and upgrades will be implemented by the Sensys Gatso staff.

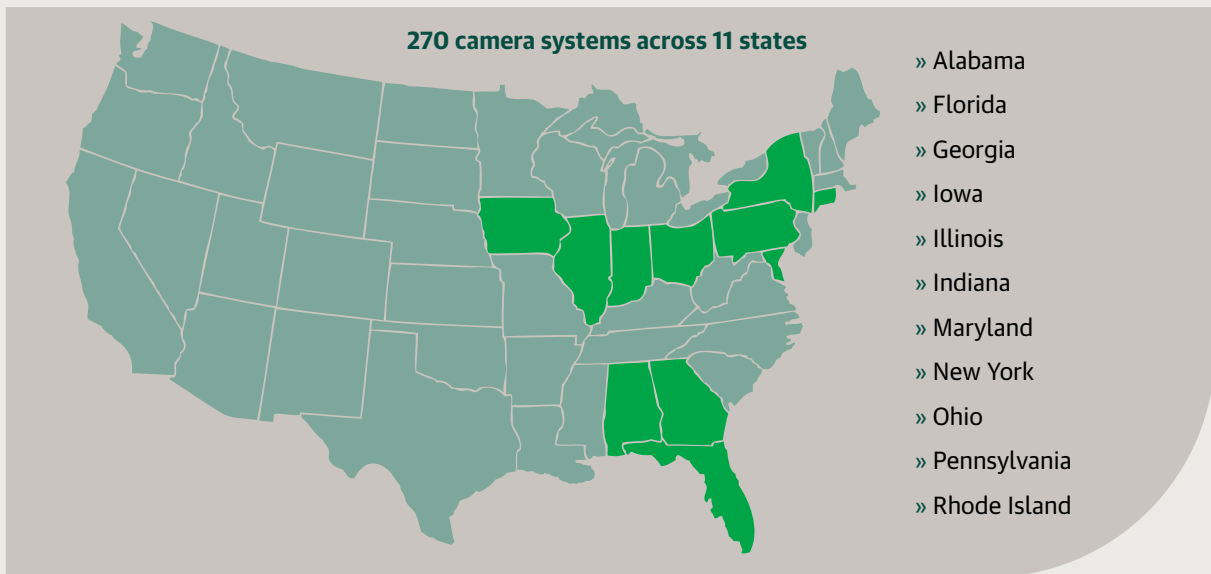
Quick optimizations and innovation

It is important that the system functions optimally. Ongoing system optimizations and innovations offer advantages for you as a traffic enforcement authority. You will get up-to-date services and enjoy the benefits of the latest technology. Sensys Gatso has to offer, continuously providing an optimized and cost-effective solution. This ensures that you get a service that can be trusted and built upon in the future. All daily maintenance and management of the systems and software is taken care of by the experienced Sensys Gatso staff. This eliminates the need for you to recruit and retain staff. Also, valuable enforcement personnel can be deployed in operations that demand direct human involvement.

Process optimization

Automated enforcement, whether for speed, red-light or other violations – can only be truly effective when the violator perceives a direct correlation between committing the offence, receiving the citation and paying the penalty. This relationship is most apparent when systems are operational 24/7 and the time between the offence and the notification is kept as short as possible. Therefore, in close consultation with the customer, Sensys Gatso zooms in on the efficiency of the entire enforcement chain with special focus on early notification delivery since this is





one of the most important ways we can jointly influence and change driving behaviour, thereby making our roads and communities safer.

More than 15 years of experience

TRaaS is not just another clever buzzword, it has already been put into practice by us. In the USA we have been supplying TRaaS to various authorities for more than 15 years with a very high level of customer satisfaction. This proven full-service model has been in use by municipal and state government clients in the United States and is ready to be rolled out across the globe.

For the full year 2021, our total Sales grew 11% to SEK 507 million. The strategic recurring TRaaS business demonstrated higher growth levels with 28% in the fourth quarter and 14% growth for the full year. In the USA we added three new contracts in 2021 and to date in 2022 another three. This demonstrates the anticipated interest from cities to implement full-service Automated Traffic Enforcement.

Software and data enable further US Growth

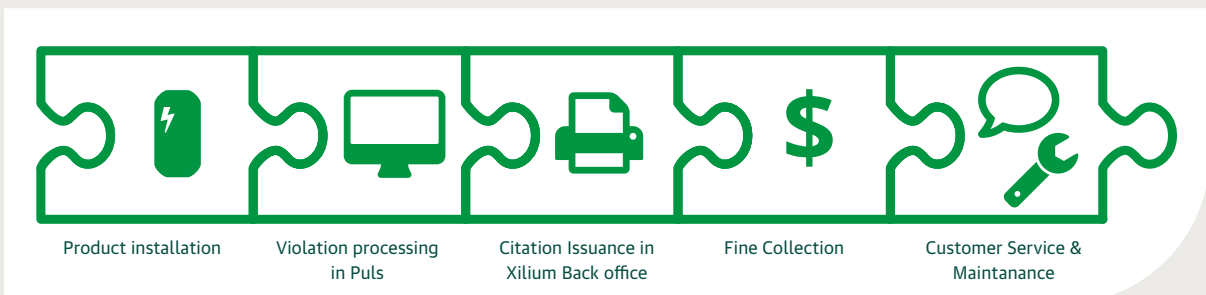
Our installed base in the USA generated more than 540 million data points of cars passing by our cameras in the last three years. This vast amount of anonymous data points, combined with data from other sources, generates valuable information for Sensys Gatso and our customers. By using data analytics, we can optimize the locations of our cameras to help reduce traffic incidents with the maximum effect.

Information from our installed base is also an effective sales enabler to predict the impact of Sensys Gatso's Automated Traffic Enforcement solutions for future customers.

Our revised business plan for the US market centers around this proactive sales model. With the recently signed transportation authorization bill that includes, for the first time ever, explicit federal funding support for speed cameras, we also have positive momentum for Automated Traffic Enforcement in many new states and cities for Sensys Gatso.

FACTS

- » 270 camera systems across 11 states
- » Generating 540 million data points generated in three years
- » Data analytics help to;
 - » Optimize camera locations
 - » Enrich information with other data sources
 - » Generate predictive analyses for future clients
- » USA Business Plan centered around proactive sales model
- » Positive Automated Traffic Enforcement momentum in new states and cities



Momentum in LATAM

We have recently entered the Colombian market with our Joint Venture between Sensys Gatso and Capatest. Colombia is a full TRaaS market, very similar to how our business in the USA is operated. The main difference is that contract periods are typically much longer, even up to 25 or 30 years. In the joint venture we combine Sensys Gatso's TRaaS Managed Services Model with local knowledge and experience in Traffic Enforcement. Two existing enforcement contracts currently operated by Capatest, supported with Sensys Gatso solutions, will be added to the Joint Venture once Sensys Gatso Colombia is fully operational, expected by the second half of 2022. The contracts will be operated over the remaining contract period of 17 years.

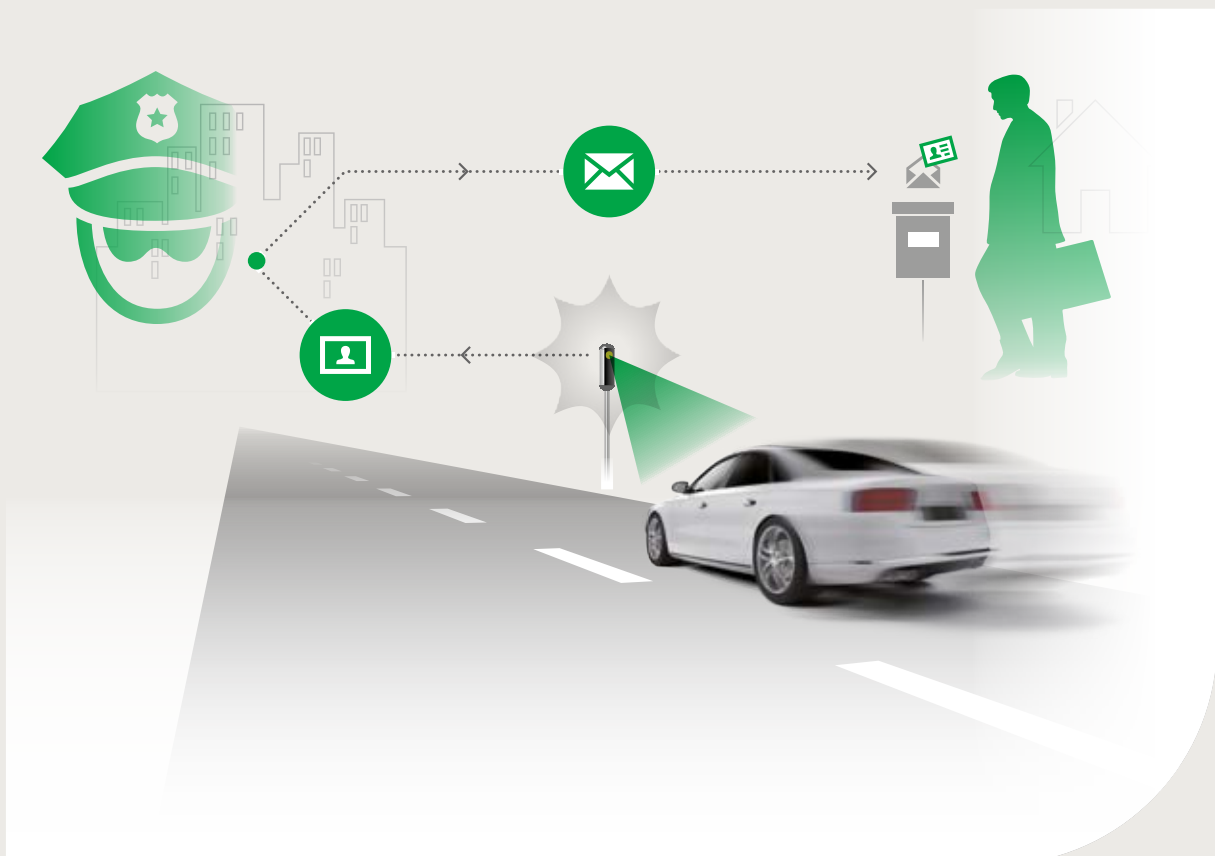
USA TRaaS growth push

During 2021 we reevaluated our USA business plan with the objective to further enhance growth. On November 15th, US President Biden signed into law a transportation authorization bill that includes, for the first time ever, explicit federal funding support for automated speed enforcement. This represents a major win for the photo enforcement industry in which we operate. With this fed-

eral monetary and political support, Sensys Gatso and the US market for photo enforcement is gaining positive momentum. There are now 25 states that allow for Automated Traffic Enforcement. Within these states, hundreds of municipalities potentially qualify as customers for Sensys Gatso. Currently we serve 35 cities in 11 states with our TRaaS model. With a targeted data driven sales approach, investments into our organization, in software developments to drive efficiencies and of course in traffic enforcement equipment to support growth of our TRaaS operation, we feel confident we can further push our profitable recurring revenue growth in the dynamic US market.

FACTS

- » Positive political and monetary momentum
- » 25 states allow for Automated Traffic Enforcement
- » Sensys Gatso USA serves 35 cities in 11 States
- » Potential to further push our profitable growth





Sensys
Gatsö
Group

FFN 56H

Substitutions- &
Reparatur

Sensys Gatso's Low Emission Zone changed pollution levels in Amsterdam

Our turn-key hardware-software enforcement solution significantly decreased toxic particles contributing to cleaner air and a more liveable city.

Urban emission compliance effectively enforced

Like many cities, Amsterdam is working hard to meet EU air quality standards. As a response to this, the Amsterdam City Council established a Low Emission Zone to keep heavy trucks and polluting cars out of the city center. Before the zone was introduced, almost one third of all trucks in the city center exceeded emissions limits.

The challenge was how to enforce the Low Emissions Zone. In 2010, the city of Amsterdam procured a tailor made solution from Sensys Gatso to limit heavy trucks and polluting cars from entering the city center in order to reduce emissions and pollutants. After less than two years from the automated enforcement system's operational start, 99% of all vehicles entering the zone are checked, 89% are fully compliant, 9% have obtained a special permit and only 2% receive a fine. The solution provided by Sensys Gatso means that particulate levels in Amsterdam have fallen to within EU air quality limits.

Mitigating carbon emissions

Sensys Gatso solutions not only help save lives by preventing road crashes - our products and services also contribute to the reduction of carbon emissions and lower pollution levels. Emissions from transportation accounts for about 1/5 of global carbon emissions, where road

transportation accounts for 72%. Lower speeds, however, lead to the reduction of both carbon emissions and the release of pollutants, called NOx particles⁽²⁾. Reducing speed limits from, for example, 75mph to 60mph result in a 25% reduction in emissions⁽³⁾.

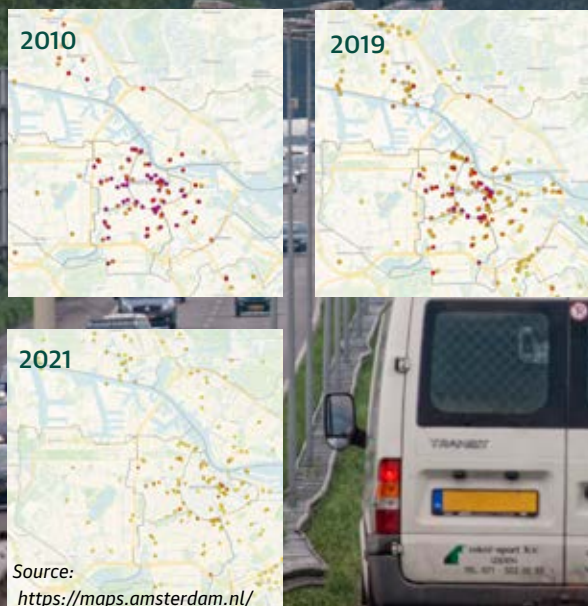
Countries globally are also grappling with how to lower carbon emissions to meet the Paris Agreement, which looks to limit global warming by at least two degrees. One focus area is vehicle emissions⁽⁴⁾. Our solutions help mitigate carbon emissions released from vehicle transport by ensuring drivers maintain lower, more environmental, speed limits.

One example of this is our Point-to-Point speed solution that promotes lower emissions by bringing about a behavioral change in the way people drive. The solution - developed to measure and ensure adherence to local speed limits between two points - causes drivers to maintain lower speeds for long stretches, thereby changing how people behave in traffic. The reduced speeds lead to lower emissions and a reduction in pollutants.

Reducing the release of pollutants

Sensys Gatso solutions also lead to traffic flows that are even, with limited accelerations and breaking. Research shows that acceleration, deceleration and braking, all increase air pollution⁽⁵⁾. The moderate and constant-speed

NOx emission in Amsterdam



FACTS

- » Country: Netherlands
- » Principal: City of Amsterdam
- » Program start: 2009, re-tendered and renewed in 2018
- » Product: Sensys Gatso and third party cameras, Sensys Gatso Puls software
- » Installed systems: >100
- » Success rate: Over 30% reduction in NOx particles
- » Customer satisfaction: Contract scope expanded, LEZ area enlarged, re-tendered and again won by Sensys Gatso

traffic flows brought about through our solutions helps mitigate the environmental impact from vehicle traffic.

Research also shows that exposure to poor air quality leads to increased premature mortality from cardiovascular and respiratory diseases⁽⁵⁾. This is a particular problem in dense cities. Sensys Gatso's solutions can also be deployed to restrict vehicle access in designated areas - reducing both emissions and pollutants.

Sensys Gatso's direct environmental impacts

Sensys Gatso has developed an Environmental Plan that is an integral part of our management system, and available for all employees globally to follow. The plan includes, for example, environmental consideration for the Design process, Logistics and Supply and Services.

The organization does its part through our goals of reducing our own carbon emissions footprint guided by the principles and processes of the applicable environmental guidelines, certifications and regulatory directives. For example, in the Netherlands Sensys Gatso has maintained its ISO 14001:2015 certification since 2010, which is an environmental management system that allows us to systematically enhance our environmental performance⁽⁶⁾. As part of this process we follow the KPI's to monitor progress, where our goal is to save, on average, 3% per year on facility resources like electricity, gas and water. See page 17.

As a solutions provider, we supply and install systems globally that have an environmental impact. To limit this impact, Sensys Gatso follows a number of environmental legislations in the countries where we are active. As part of the European directive for Waste Electrical and Electronic Equipment (WEEE), we are obliged to accept products when returned, which are then dismantled, parts are recycled when possible and the remaining components are disposed of in an environmentally friendly way.

The WEEE directive addresses the materials and components that comprise this waste stream given their hazardous content. If these materials are not properly managed, they can cause major environmental and adverse health impacts. Treatment of these materials at the end of life are the backbone of the directive, which promotes the contribution to a circular economy in how the waste is managed⁽⁷⁾.

The RoHS directive, for its part, addresses the elimination of hazardous substances in electrical and electronic equipment. Sensys Gatso sources most materials and products for our solutions in Europe. We ensure our suppliers meet the high European standards for electronic waste given all suppliers and sub-contractors in Europe are bound to comply with both the WEEE and RoHS directive.

Ensuring we do our part

Our environmental impact, performance, policies and registrations are periodically reviewed and audited for compliance to our own rules and any applicable legislation. The policies are included in our Environmental Management System, which is also periodically audited for compliance with the ISO 14001 standards.

Sensys Gatso is proud of our environmental achievements, and we continue to work with improvements to ensure we take our responsibility to protect our precious environment by always thinking "Green SGG".

Our market

We estimate our addressable focus market to be approx. SEK 12.5 billion and growing by 10 percent annually. It is our ambition to grow with a CAGR of 16 percent thereby outperforming the market. Diverse global market conditions and customer needs are changing faster than ever. The 2025 strategy has been built on growing the TRaaS business around the home markets Sweden, and the Netherlands and the growth markets MEA, North America and Latin America.

Saving Lives

Sensys Gatso solutions were developed for improved traffic safety. Our products and services help drivers be responsible citizens by maintaining proper speeds thereby saving lives. According to the Association for International Road Travel, there are approximately 1.35 million road casualties every year - that's about 3700 casualties every day⁽¹⁾. In the US, for example, road crashes are the leading cause of death for people aged 1-54⁽¹⁾.

For example, our installed speed enforcement solution in Cedar Rapids, Iowa in the U.S., led to a reduction in road casualties from an average of 9 per year to zero. The city of Cedar Rapids turned to Sensys Gatso for a solution to reduce, or even eliminate, road deaths. After careful analysis of the traffic patterns and crash data, Sensys Gatso presented a successful comprehensive plan to improve road safety. Our installation is an example of our TRaaS offering, which includes various types of enforcement equipment to address the problems in the city's intersections, open roads and the part of the interstate that runs through the city center.

Sources:

1. <https://www.asirt.org/safe-travel/road-safety-facts/>
2. <https://www.europarl.europa.eu/news/en/headlines/society/20190313STO31218/co2-emissions-from-cars-facts-and-figures-infographics>
3. <http://content.tfl.gov.uk/speed-emissions-and-health.pdf>
<https://www.cbc.ca/news/technology/what-on-earth-speed-limits-climate-change-1.5684677>; https://www.researchgate.net/publication/223157431_PM_NOx_and_CO2_emission_reductions_from_speed_management_policies_in_Europe; <https://energynews.us/2020/03/20/midwest/do-urban-speed-limit-reductions-improve-air-quality-experts-say-not-so-fast/>
4. <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>
5. [https://www.thelancet.com/journals/lanplh/article/PIIS2542-5196\(20\)30224-2/fulltext](https://www.thelancet.com/journals/lanplh/article/PIIS2542-5196(20)30224-2/fulltext)
6. <https://www.iso.org/standard/60857.html>
7. <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1584719987321&uri=CELEX:32019D2193>





Sustainability Report, *The bigger picture*



Several global trends continued to favor Sensys Gatso, not the least the world's drive for sustainable cities, reduced environmental impacts from vehicles and the fulfillment of the UN's 2030 sustainable development goals. Making roads safer by changing human behaviour in traffic is fundamental to our business strategy. Our TRaaS business model supports our customers in the transformation towards sustainable and safe environments.

Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable

Sensys Gatso develops, produces, markets and sells software driven system solutions and products to improve traffic safety. Our largest product category includes automatic speed and red light monitoring systems designed to prevent traffic accidents and thereby save lives. However, our solutions not only help save lives by preventing road crashes - our products and services also contribute to the reduction of carbon emissions and lower pollution levels.

Our customers include police and road authorities globally, as well as, to some extent, private operators contracted by government agencies. We have a close relationship with our customers and together we find customized solutions for local needs and objectives. Our long term relationship with customers often results in add-on sales over time. For more information about Sensys Gatso and our customers we kindly refer to note 1. Our supply chain is European and the development and production of our systems is in part provided by third party suppliers in Sweden, and partly at our own production facility in Haarlem, the Netherlands. All together we engage approximately 10 employees in Haarlem and another 80 different suppliers in Sweden and the Netherlands. Given our European centric development model, we, as a company, are required to follow EU environmental legislations and regulations, such as WEEE and RoHS.

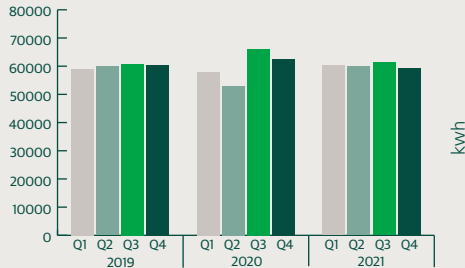
Sensys Gatso applies and follows the UN Global Compact ten principles; below we report on our progress. Sensys Gatso is all about contributing to safe traffic, the global drive for sustainable cities and the UN 2030 Sustainable Development Goals (SDG). Sensys Gatso's business is focused on SDG goal number 11, building sustainable cities and communities, which is how we can make the biggest impact.

Environmental - Sustainable cities

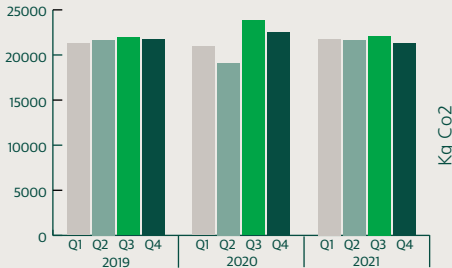
Sensys Gatso is active in an industry that is at the beginning of undergoing major changes. Even in the wake of the global pandemic, we witness an increase in urbanization and more people digitally connected. Digitalization and an increased awareness of societal issues, such as sustainability, have changed the way people think, live and work. Today's young urbanized groups, living in metropolitan areas, would prefer to rent a car when necessary through services such as Car-to-go and Uber, rather than own a vehicle.

As a company, we need to meet these changes and challenges in advance - and assist our customers in meeting these new needs trends. Traditionally, Sensys Gatso's customers have been law enforcement authorities with the need to fulfill legal requirements, but today our customers are traffic safety authorities where safety is at the top of their agenda. We also see a trend where future customers will be cities and municipalities focused on providing high living standards where aspects such as user-friendly environments, accessibility and safety will score very high.

Consolidated used electricity
Sensys Gatso Netherlands and Sensys Gatso Sweden



Consolidated kg CO2 emission for used electricity
Sensys Gatso Netherlands and Sensys Gatso Sweden



Environmental - A safer and healthier planet

As a company we are committed to reducing our own environment impact. Environmental issues are central to the process of developing new products and improving existing ones. Moreover, it is an essential part of how our employees think and act. Our products and services, as described on page 12-13 contribute to reduced greenhouse emissions through reduced speeds and smooth traffic flows.

An important regulation that Sensys Gatso complies with is the WEEE directive (Waste of Electric and Electronic Equipment) given our European centric product and services delivery model. The directive determines how we must handle electronics product waste. Sensys Gatso also complies with the RoHS directive (Restrictions of Hazardous Substances), which refers to restricting and removing hazardous substances from electrical and electronic equipment. Our subsidiaries are following the ISO 14001:2015 standard and have determined the KPI's that most impact our environmental footprint. These include KPI's for usage of water, energy and gas and CO2 emission. The trend from 2012 onwards, is a steady decrease on the Key Performance Indicators, except for the gas use since that is more difficult to achieve as it is more dependent on weather condition (e.g. cold winters). The entity in the Netherlands where we have production is also certified under the ISO 14001:2015 standard.

Report on progress:

Examples of our sustainability approach in development;

- » Sensys Gatso cooperates with Dutch authorities to monitor traffic in environmental zones, both in cities and rural zones. In urban areas, our technology determines if trucks and other heavy vehicles drive through city centers within a certain timeline.
- » Outside the cities, in suburbs and in the countryside, we keep track of cars driving through family neighborhoods. The benefits are calmer, more pleasant, and cleaner residential areas and roads in general.
- » Sensys Gatso has an ongoing test project for schools to improve the overall safety for kids and teenagers. The purpose is to warn unprotected pedestrians when speeding cars approach.
- » Sensys Gatso has several School Zone Speed enforcement programs in the USA, with the objective to protect the youngest participants on the road.

In the yearly risk assessment two main areas of risk to the environment have been identified;

Within transportation;

All deliveries to customers are done through ex-works or FCA, giving limited possibilities for Sensys Gatso to choose forwarder and thereby limiting the risk. However, for internal transportations we aim to optimize a combination of price and quality when choosing a freight forwarder. Deliveries are either done by air or by lorries. We actively work to reduce unnecessary transportations by weekly planning of logistics. Sensys Gatso does not have any Key Performance Indicators in place to measure transportation environmental risks.

Within production;

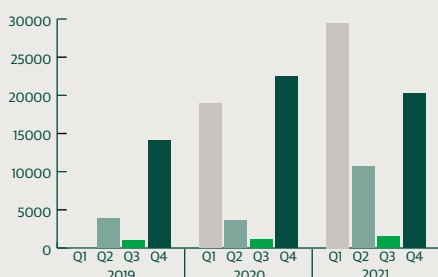
Sensys Gatso follows a number of legislative requirements around the world, which are maintained and updated through our global Environmental Management System - which allows us to ensure our compliance with applicable legislation and local laws. For example, Sensys Gatso is obligated to participate in a country wide program of collecting and recycling electronic waste, which is a mandatory EU legislative requirement and should lead to 65% circular e-waste by 2030. Another example is our ISO 14001:2015 certification, which on a global basis ensures that we as a supplier are guided by strict environmental standards, which includes adherence to applicable laws and our own environmental footprint.

Sensys Gatso measures environmental risks in production through the Key Performance Indicators listed above. Our goal is reduce these impacts by 3% yearly.

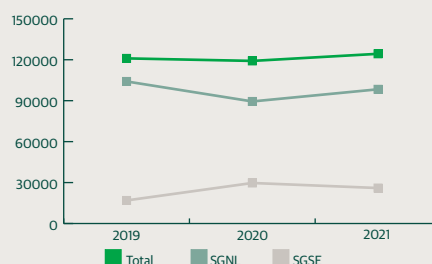
We promote returning and recycling of products, and dismantle products when returned by a customer after use. The residual and product waste is collected, separated, reused and/or disposed of accordingly - contributing to the circular economy. It is critical that people are aware of their impact on the environment. At Sensys Gatso people's sustainability awareness is continuously increased through our company wide information. This includes our efforts taken within the production facility to minimize our environmental impact - highlighted by using our "Green SGG" campaign sign throughout the facility.



Gas use per quarter (only available since 1-4-2019) Sensys Gatso Netherlands



Consolidate paper use (Prints) Sensys Gatso Netherlands and Sensys Gatso Sweden



Report on progress

UN Global Compact principle 7-9: Social - Presence and engagement

Sensys Gatso maintains discussions with authorities around the world regarding a variety of traffic issues. For example, in Sweden we have consulted primarily with the Swedish Transport Administration (Trafikverket) that is responsible for the long-term planning of state road network and their Vision Zero initiative.

The Vision Zero initiative is aimed at reducing road casualties to zero. We have embraced the ideas of the Swedish Vision Zero policy in how we develop our products and services. Our promise is that no one should die in traffic, ever. The principles of Vision Zero have gained greater acceptance worldwide, including several cities in the USA. As the concept evolves, we are committed to supporting the Vision Zero initiatives through our leadership role in providing solutions for safer traffic environments and more sustainable societies.

We are honoured to provide our road safety and automated enforcement expertise and consult with multilateral organizations and NGOs to contribute with our global insights and experience. We regularly present at major conferences at, for example, UNECE, AfDB, IRF, ITS World Congress, RS5C (VTI), and ARSC (Asean Road Safety Centre) conferences. We share our extensive knowledge with our customers - governments and related stakeholders - by means of presentations and white papers.

Sweden's Vision Zero ambition is an important principle and has become a new global standard for traffic safety. Together with the Swedish Transport Administration, the Swedish Institute for Standards (SIS) has initiated an international effort and has developed a management system standard for road traffic safety - ISO 39001 - which was published in the autumn of 2012. The international interest is great and interest groups such as, WHO and World Bank have participated in the work. Road traffic safety not only concerns road builders, transporters and vehicle manufacturers, but all organizations that can influence or are affected by road safety. Sensys Gatso Sweden is a member of the committee.

It was the Swedish Government that started in 1997 the program by the name of Vision Zero. The main objective (vision) of the program is to have zero fatalities amongst the road users. Any other figure would be considered inappropriate in the sense that the government and the people accept that people die on roads. Vision Zero is based on an underlying ethical principle that "it can never be ethically acceptable that people are killed or seriously injured when moving within the road transportation system". As an ethics-based approach, Vision Zero functions to guide strategy selection and not to set particular goals or targets. In most road transport systems, road users bear complete responsibility for safety. Vision Zero changes this relationship by emphasizing that responsibility is shared by transportation system designers and road users. A core principle of the vision is that 'Life and health can never be exchanged for other benefits within the society' rather than the more conventional comparison between costs and benefits. Typically, a monetary value is placed on life and health, and then that value is used to decide

how much money to spend on a road network towards the benefit of decreasing how much risk. Since the inception of Vision Zero two decades ago, many things have been done in order to achieve this vision.

Sensys Gatso has worked together with the Swedish Transport Administration (Trafikverket) on the topic of Enforcement since Vision Zero was first introduced. By making the general public aware and conscious of the fact that speed limits are being enforced - especially on known dangerous sections of roads - the speed of vehicles will decrease, thus reducing the number of fatalities and those seriously injured. Since the beginning of the implementation of Vision Zero in Sweden, Sensys Gatso has delivered and maintained approximately 3,000 speed cameras. The cameras save about 20 lives a year and save more than 70 people each year from being seriously injured in traffic.

Other more recent examples are the implementation of so-called Low Emission Zones (LEZ) in several European cities. The European Commission has issued a directive to its member states in order to decrease pollution in cities which has led to the implementation of these systems which are designed to ban certain vehicles from entering the cities. Read more about the Sensys Gatso case study from Amsterdam on page 12-13. Before the zone was introduced, almost one third of all trucks in the city center exceeded emissions limits.

Social - employees

The heart and soul of our business

As a global company, Sensys Gatso can make a difference in the world. In order to make the world a better place, our employees and business partners must take responsibility - for themselves and for each other. Sensys Gatso's Code of Conduct, is a regulatory framework that helps us remember who we are. The code is a set of professional rules, covering things like laws, regulations, values, and behaviors that define how we do business. Our Code of Conduct applies to all employees, and the Board of Directors. Its main purpose is to ensure that Sensys Gatso acts reliably and with integrity. Sensys Gatso is committed to making sure everyone in our business is treated equally. We want everybody to have the same opportunities, regardless of gender, ethnic origin, age, and religion. We embrace people's differences. When we mix, things get dynamic and interesting, bringing new perspectives and ideas to the table. Therefore, Sensys Gatso has an equality- and diversity policy. The purpose of Sensys Gatso's equality and diversity policy is to prevent individuals from being excluded due to gender, ethnic origin, age, and religion. The policy is also important to enable our ambition to build diverse groups. Our overall goal is that all tasks are evenly assigned throughout the entire workforce. To us, it's of utmost importance to avoid stereotypes and gender labels regarding certain positions and tasks. Read more about our equality and diversity policy on page 33.

At Sensys Gatso, our working environment is a central theme. A good working environment is good for the health and wellbeing of every employee. It also makes it easier to recruit and retain employees. Our working environment consists of offices, workshops, R&D laboratories, cars, test sites, and much more. We constantly analyze

how we can get better in order to eliminate all types of risks at work. Sensys Gatso has documented routines and instructions designed to ensure a safe lab environment and safe working conditions on road sites. In countries where road safety is poor, we are particularly vulnerable. To avoid danger and injuries on road sites, training programs are made available to all employees. Visitors, customers, partners suppliers, authorities and of course our employees, everyone should always feel safe working with Sensys Gatso. It's part of our brand, and our integrity.

Report on progress

UN Global Compact Labour principle 3-6

In 2021 all subsidiaries maintained the same average percentage of sick days as previous years, 2 - 4 %. In general, we have a very healthy global workforce.

In 2019, we introduced a platform that allows for flexible working environments. The platform allowed us to seamlessly continue our deliveries during 2020 and 2021 when the pandemic limited employee contacts, and contributed to maintaining the health and well-being of our staff.

Sensys Gatso performs employee satisfaction and performance interviews twice yearly. In addition to following up on the interviews, we conduct workshops where specific focus areas and issues are highlighted.

Report on progress

UN Global Compact Human Rights principle 1-2: Be yourself, wherever and wherever you are

Sensys Gatso's compliance with human rights is based on our Code of Conduct and above all on the United Nations Universal Declaration of Human Rights (UDHR). Our Code of Conduct clarifies Sensys Gatso's position regarding issues such as human rights, employee conditions, environment, business ethics and communication. Sensys Gatso encourages every business partner around the world to do the same.

Sensys Gatso does not foresee any larger risks to human rights within the projects we are involved in. However, some of our customers are active in countries where the risk of human rights violations is higher than in northern Europe. In order to be a responsible ambassador for human rights, for some projects we have internal workshops to highlight and discuss human rights in the countries at hand.

Sensys Gatso honors all human rights and follows all legal and export regulations. Our position is that every individual has a basic and strong right to feel safe, regardless of the political and religious views of the specific government. If an employee feels uncomfortable traveling to another country, due to the country's human rights policies, we won't force our co-worker to go. We respect our employees' values and their personal integrity.

Due to the high-tech environment within the company, there is a great risk of limited diversity within the Sensys Gatso team, despite the fact that the company strives for diversity in the composition of the workforce and in recruitment.

The purpose of the equality policy is to prevent individuals from being chosen for certain teams purely/primarily

due to their gender, or so that a group does not become single gendered. When appointing vacant positions, the company strives to achieve the best possible age, sex and ethnicity distribution.

The company has no other KPIs in human rights other than that we carry out an annual mandatory training of the company's code of conduct. However, the feeling of being accepted and respected for who you are, is discussed in the yearly employee interviews. Through our whistle blower policy, there is also the possibility to address a specific occasion or incident anonymously to the Chairman of the Board of Directors.

Report on progress

UN Global Compact Anti Corruption principle 10: A hygiene factor

Since 2008, Sensys Gatso has been following a policy that addresses issues of bribery, corruption and public affairs in our line of work. In the tendering phase, the policy is discussed with employees as well as partners. When we handle larger projects in countries where there is a high risk of corruption, we always make a risk analysis beforehand.

With some larger customers the company has a written understanding of the basis for the collaboration to ensure there is no risk of misunderstanding the code of conduct between the company and the customer.

In some cases, due to high risk of corruption, based on decisions from the Board of Directors, participation in certain projects may be declined.

All employees who have contact with the customer and supplier undergo annual training in code of conduct and anti-corruption policy, confirmed that they have read the policy and that they understand it and that they will follow it.

In addition has Sensys Gatso further implemented the Know Your Customer (KYC) process documenting the KYC forms on all material customers and partners.

In the year 2021 Sensys Gatso has request all employees with customer and supplier contact to reconfirm that they have read the Anti-Corruption policy and that they will conduct accordingly.

In 2021, Sensys Gatso had an incident with a whistleblower that was quickly handled according to the company's documented processes, whereby the incident was closed.

In January 2021, Sensys Gatso informed the market that the Dutch Tax Information and Investigation Authority (FIOD) in the Netherlands had initiated an investigation into alleged irregularities on Gatsometer B.V that would take place in 2014-2015 before the company was acquired by Sensys Traffic. Sensys Gatso naturally cooperated fully with the investigating authorities and carried out a thorough internal investigation of the allegations and the results were communicated to FIOD. At the beginning of August 2021, Sensys Gatso was informed of the formal results of the investigation. The Dutch authorities rejected the allegations and the investigation was closed. Sensys Gatso is a company based on integrity. It defines who we are as people, as partners to our customers and how we shape our solutions. It was integrity that guided us in our communication with the authorities and the market.

Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in Sensys Gatso Group AB, corporate identity number 556215-4459.

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2021 on pages 16-19 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm April 13, 2022

BDO Mälardalen AB

Johan Pharmanson

*Authorised Public Accountant
Auditor in Charge*

Long-term financial goals

Sensys Gatso's long-term four-pillar strategy is focused on profitable growth:

- » Expansion in the US-market with TRaaS
- » Entry into new markets with TRaaS
- » Developing scalable software & flexible hardware
- » Extension of the service scope in existing markets

Sensys Gatso's long-term financial goals

TSEK	2019	2020	2021	2025	CAGR*
Total Net Sales	406	455	507	> 1000	> 16%
of which TRaaS recurring sales:	177	217	247	> 600	> 22%
EBITDA	7%	13%	16%	> 15%	

Dividend policy

The Board of Directors of Sensys Gatso has not established a dividend policy and does not believe that a dividend will be paid in the near future. Generated net profit will be re-invested in the company to finance the growth plan. When the growth plan is fully financed, dividend will materialize after assessment of the company's financial position, organic growth opportunities, investments, acquisition opportunities and cash-flow.

*CAGR from 2019.

The share

Sensys Gatso's share is listed on Nasdaq Stockholm's Small Cap list. As at 31 December 2021, the share capital amounted to TSEK 46.088 (46.088) divided into 921,776,405 (921,776,405) shares.

The number of shareholders totaled 17,041 (19,368). All shares carry the same voting rights and entitle the holder to the same share of the company's earnings and capital. The company has one shareholder (Gatso Special Products BV) with number of shares that exceeds 10 percent of the company's total number of shares. The Articles of Association do not contain any conditions concerning voting right restrictions. There is no authorisation for repurchase of treasury shares.

The highest price paid for Sensys Gatso shares during the year was SEK 1.71 (7 January, 2021) and the lowest price paid was SEK 0.87 (17 December, 2021). The closing price paid on 31 December, 2020 was SEK 0.96 (1.67).

In 2021 a total of 663,424,182 (1,179,445,917) Sensys Gatso shares were traded on the Stockholm Stock Exchange. At the end of the year, the market capitalisation amounted to SEK 884 million (1.539).

The 20 largest shareholders

The shares in Sensys Gatso Group AB were held as of 30 December 2021 as follows:	Number of shares	Proportion of share capital/votes %
BNP PARIBAS SEC SERVICES PARIS, W8IMY (GC)*	164,428,138	17.84
Försäkringsaktiebolaget, Avanza pension	38,419,781	4.17
Nordnet Pensionsförsäkring AB	33,363,059	3.62
Wall, Per Anders Curt	23,000,000	2.50
Bergstrand, Inger	20,659,837	2.24
SEB Investment Management	10,177,068	1.10
Futur pension	8,134,962	0.88
Hamberg, Peter	7,500,000	0.81
Mellgren, Claes	7,367,357	0.80
Handelsbanken fonder	7,345,168	0.80
Swedbank Försäkring AB	7,294,711	0.79
Försäkringsaktiebolaget Skandia	6,759,303	0.73
Dahlin, Lars	6,000,000	0.65
Boyer, Pernilla Mari	5,612,509	0.61
Ståhlgrén, Hans Edvin	5,530,000	0.60
Lööw, Rune Stefan	5,214,395	0.57
Arding language Services Aktiebolag, Arding Lang	5,000,000	0.54
SAXO BANK A/S CLIENT ASSETS	4,872,852	0.53
Andersson, Bengt	3,600,000	0.39
Skandia fonder	3,525,957	0.38
Total, 20 largest shareholders	373,805,097	40.55
Total, other shareholders (17,021)	547,971,308	59.45
Total	921,776,405	100.00 %

*163,180,523 of these shares are held (via BNP PARIBAS SEC SERVICES PARIS, W8IMY (GC)) by Gatso Special Products BV.

Administration Report

The Board of Directors and Chief Executive Officer of Sensys Gatso Group AB (publ.), corporate registration number 556215-4459, hereby present the Annual Report & Accounts for the financial year ended 31 December 2021.

Sensys Gatso Group's operations

Sensys Gatso provides services and maintenance in combination with sales of systems with the objective to improve safety in traffic through enforcement. The company develops, produces, markets and sells sensors, systems and software that are mainly used for speed enforcement, red-light enforcement, Automatic License Plate Recognition, environmental zones and safety zones enforcement. In the USA the company mainly provides Managed Services, where we service the whole chain from providing and maintaining equipment, owned by the company, to processing events, sending out citations and collecting funds. The Group's end customers primarily comprise of police and road authorities throughout the world, as well as private operators. Sales are conducted either directly or via partners, agents and distributors positioning the Group as a leading global traffic safety provider.

Legal structure

Sensys Gatso Group consists of Sensys Gatso Group AB (publ) and the wholly-owned subsidiaries Sensys Gatso Sweden AB and Sensys Gatso Group BV. For additional information see note 33.

Sales and earnings

Net sales for the full year was SEK 506.8 million (454.9). The gross margin was 40.6 percent (35.6). Profit/loss before tax amounted to SEK 47.3 million (2.5). Profit/loss after tax was SEK 34.9 million (3.9). For further details regarding financial performance please see page 24 - 25.

Financial position

The Group's equity at the end of the period totalled SEK 561.8 million (514.6), producing an equity/assets ratio of 70.4 percent (67.1). Cash and cash equivalents amounted to SEK 72.4 million (108.5) at the end of the year. Cash flow from operating activities during the year totalled SEK 9.1 million (15.5).

Share data and key ratios

Earnings per share were SEK 0.04 (0.01) and equity per share was SEK 0.61 (0.56).

Employees

The average number of employees was 240 persons (230). The number of employees at the end of the period was 263 (252), whereof a part being part-time employees. For additional information see note 2.

Environmental issues

The environment is an important consideration in Sensys Gatso's development of new products, its improvement of existing products and with regard to deliveries and business trips involving employees. Sensys Gatso supplies systems for traffic informatics. The functionality of these systems contributes to lower carbon dioxide emissions as a result of reduced speeds and more even flows of traffic.

Sensys Gatso complies with the applicable WEEE Directive (Waste of Electric and Electronic Equipment), which stipulates how future used electrical equipment will be processed, and the RoHS Directive (Restriction on Hazardous Substances), which aims to remove hazardous substances from products.

We have successfully transferred our quality and environmental management systems to comply with new ISO standards and we are now certified according;

- » ISO 9001:2015 for Quality management system in Sweden, the Netherlands and Australia
- » ISO 14001:2015 for Environmental Management system in the Netherlands
- » ISO 27001:2019 for Information Security for the Netherlands

Furthermore the Sensys Gatso Sweden AB holds an accreditation for compliance to the requirements of the ISO 17020:2012 standard, to perform type C inspections.

For further information see the Sustainability report on page 16.

Research and Development

The Group prioritises Research and Development in order to maintain and strengthen the company's market position. Remaining at the forefront by offering innovative solutions is fundamental to what we do. Since its inception, Sensys Gatso Group has worked with universities and institutes of higher education, offering students the opportunity to write papers with the assistance of the company. During 2021 SEK 17.9 million (14.0) has been capitalized for the development of the new platform FLUX and other solutions.

Policies concerning remuneration and other conditions of employment for Sensys Gatso's senior executives

The Annual General Meeting in 2018 established policies for the remuneration of the company's senior executives. The Group's senior executives currently include the CEO

and three members. The Group shall offer remuneration that is consistent with market terms and this shall be established by the Board in consultation with the Chief Executive Officer. The criteria shall be based on the importance of the duties performed, competence and experience, and remuneration shall consist of the following components:

- » Basic salary
- » Variable remuneration
- » Pension benefits
- » Other benefits and severance terms

The variable remuneration shall be based on set targets for sales and EBITDA and cannot amount to more than 6 months salary for group management and the CEO.

As previously, the CEO shall benefit from a supplementary pension scheme with a premium that represents approximately 30 percent of the current annual salary. The retirement age is 65 years.

Other members of the company’s management team shall have the right to retirement pensions as per the Swedish ITP plan or equivalent.

Salaries and remuneration of the CEO and other senior executives for 2021 are listed under note 2.

These guidelines are also proposed for the coming year.

Risks

A description of potential risks and how these are managed is provided under note 25.

Sensys Gatso share information

There are no limitations on the right to assign shares of Sensys Gatso Group (first refusal), nor are there any limitations on how many votes each shareholder may cast at general shareholders’ meetings. The company is not aware of any agreements between shareholders which

could entail a limitation on the right to assign shares. The single largest shareholder is BNP PARIBAS SEC SERVICES PARIS, W8IMY (GC) with 164,428,138 shares. 163,180,523 of these shares are held by Gatso Special Products BV, with 17.70 % of total shares (17.70). For more information, see page 21, Sensys Gatso Group share information and ownership structure.

The annual general meeting in May 2021 authorized the Board, with or without deviation from the shareholders preferential, to do a new share issue of maximum ten (10) percent of the total number of shares in the company. Also, the annual general meeting authorized the board to repurchase a maximum of five per cent of the total number of issued shares.

Appointment and dismissal of Board members

The Articles of Association contain no specific provisions on the appointment or dismissal of Board members.

Parent company

The business of the Parent company consists of owning and managing participations in subsidiaries, as well as managing some key tasks for the Group. Net sales for the period amounted to SEK 22.0 million (11.9) and profit before taxation amounted to SEK 6.4 million (8.4).

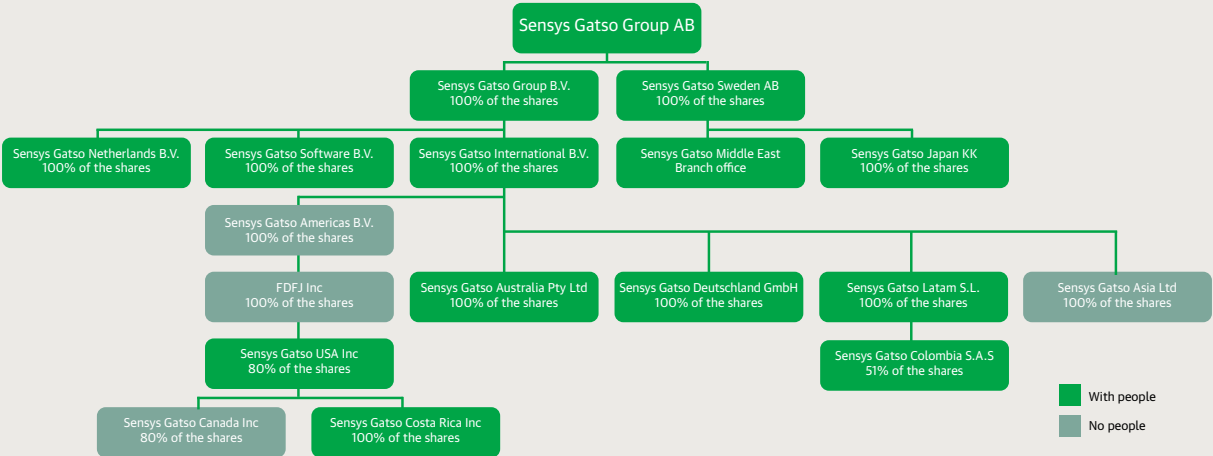
Proposed appropriation of profit or loss

The following profits are at the disposal of the Annual General Meeting (amount in SEK):

Share premium reserve	475,511,996
Retained earnings	-15,867,387
Total SEK	459,644,609

For detailed movements in shareholders equity we refer to page 68.

The Board of Directors proposes that no dividend will be paid for 2021 and the retained earnings be carried forward.



Financial performance

A five-year summary

INCOME STATEMENT	2021	2020	2019	2018	2017
Sales	506,789	454,933	406,325	380,349	293,094
Operating expenses	-460,881	-444,112	-430,717	-379,760	-346,762
Operating profit/loss	45,908	10,821	-24,392	589	-53,657
Financial items	1,400	-8,346	-3,137	-1,685	-10,552
Profit/loss before tax	47,308	2,475	-27,529	-1,096	-64,209
Income tax	-12,318	1,478	12,418	-1,376	3,470
Profit/loss for the year/Total profit/loss	34,990	3,953	-15,111	-2,472	-60,733
BALANCE SHEET	2021	2020	2019	2018	2017
Noncurrent assets	436,379	416,237	456,830	404,160	403,596
Current assets	361,115	351,007	249,047	227,502	220,671
Total assets	797,494	767,244	705,877	631,662	624,267
Shareholders' equity	561,803	514,559	448,854	454,796	421,179
Noncurrent liabilities	65,421	65,509	76,901	67,949	87,111
Current liabilities	170,270	187,176	180,122	108,917	115,977
Total shareholders' equity and liabilities	797,494	767,244	705,877	631,662	624,267
DATA PER SHARE	2021	2020	2019	2018	2017
Earnings per share 31 Dec, SEK	0.04	0.01	-0.02	0	-0.07
Shareholders' equity per share, SEK	0.61	0.56	0.52	0.53	0.50
Dividend per share, SEK	0	0	0	0	0
Share price 31 Dec, SEK	0.96	1.67	1.36	1.82	1.53
P/E ratio	27	Neg	Neg	Neg	Neg
Number of shares at end of period before dilution, thousands	921,776	921,776	860,024	860,024	844,914
Number of shares at end of period after dilution, thousands	921,776	921,776	860,024	860,024	844,914
Average number of shares during the period before and after dilution, thousands	921,776	879,245	860,024	848,691	673,102



"Our investments in software, fixed assets and people are paying off"

Simon Mulder, CFO, Sensys Gatso Group AB

KPI	2021	2020	2019	2018	2017
Order intake	368,248	788,353	561,940	480,284	348,918
Sales	506,789	454,933	406,325	380,349	293,094
Gross margin %	40.6	35.6	35.7	42.5	39.6
Operating profit (EBITDA)*	83,502	59,438	28,567	37,562	-14,757
Operating margin (EBITDA)	16.5%	13.1%	7.0%	9.9%	-5.0%
Operating profit (EBIT)	45,908	10,821	-24,392	589	-54,764
Operating margin (EBIT)	9.1%	2.4%	Neg	0.2%	Neg
Profit for the period	34,991	3,954	-15,111	-2,472	-61,846
Net margin	6.9%	0.9%	Neg	Neg	Neg
Return on equity	6.2%	0.8%	Neg	Neg	Neg
Equity/Assets ratio	70.4%	67.30%	63.40%	71.80%	67.30%
Interest-bearing liabilities*	116,326	118,301	129,375	58,891	82,353
Adjusted interest-bearing liabilities*	93,383	89,924	95,926	58,891	82,353
Net interest-bearing debt*	43,863	9,812	77,002	-17,716	23,422
Adjusted Net interest-bearing debt*	-18,565	-18,565	43,553	-17,716	23,422
(Net) Working capital	197,619	163,831	68,925	117,478	99,527
Free available cash	101,826	147,729	84,927	153,179	121,283
Cash flow from operations	9,147	15,466	-3,740	49,307	-39,250
Number of employees	263	252	252	195	167
Average number of employees (FTE)	240	230	202	162	154

*Calculation samples

Interest bearing debt

TSEK	2021
Lease liabilities	22,943
Bank Loans and Credit facilities	64,402
Shareholder loans	28,981
Cash and bank	-72,463
Net Interest-bearing debt	43,863
-/- Lease liabilities	-22,943
Adjusted Net Interest-bearing debt	20,920

Interest bearing liabilities

TSEK	2021
Lease liabilities	22,943
Bank Loans and Credit facilities	64,402
Shareholder loans	28,981
Interest-bearing liabilities	116,326
-/- Lease liabilities	-22,943
Adjusted interest-bearing liabilities	93,383

Operating profit (EBITDA)

	2021
Operating profit	45,908
Depreciation	37,598
	83,506

KPI

Definition

Gross margin	Gross profit as a percentage of net sales
Operating profit (EBIT)	Profit for the period before net financial items and tax
Operating margin	Operating profit (EBIT) as a percentage of net sales
Operating profit (EBITDA)	Operating profit (EBIT) before depreciation and amortisation
Net margin	Profit for the period as a percentage of net sales
Return on equity	Profit for the period as a percentage of (average) shareholders' equity
Equity/Assets ratio	Total Shareholders' equity as a percentage of total assets
Earnings per share	Profit for the period divided by the (average) number of outstanding shares
Interest-bearing liabilities	All interest-bearing debts (the sum of on balance lease liabilities, bank loans & credit facilities and shareholder loans)
Adjusted interest-bearing liabilities	Interest-bearing liabilities adjusted for on balance lease liabilities
Net interest-bearing debt	Interest-bearing liabilities less cash and bank balances
Adjusted Net interest-bearing debt	Interest-bearing liabilities adjusted for on balance lease liabilities less cash and bank balances
(Net) Working capital	The balance of current assets (inventory & work in progress, trade receivables, other current assets and cash) less current liabilities (trade payables and other current interest-free liabilities)
Free available cash	Cash banks and balances plus remainder of the credit facilities available to the group, but excluding long-term loan facility not taken up.
Cash flow from operations	Cash flow from operations is the amount of cash generated by the normal business operations based on the indirect method.
Order intake	The sum of purchase orders received in the period
Purchase order	Received order to deliver goods or services
Procurement award	Contract with estimated sales volume against fixed conditions over a period of time without purchase order obligations
Number of employees	The number of employees (fixed and variable) at the end of the period
Average number of employees (FTE)	The number of average full time equivalent employees during a period

Corporate Governance Report 2021

Sensys Gatso Group AB is a Swedish public limited liability company with its headquarters in Jönköping, listed on Nasdaq Stockholm, Small Cap. Sensys Gatso applies and follows the Swedish Code of Corporate Governance and hereby submits the 2021 Corporate Governance Report. The company's auditors have carried out statutory audits of the report.

Starting point

Good corporate governance, risk management, internal control and management are key components in a successful business. They are essential for Sensys Gatso's ability to continue to grow with profitability and a hygiene factor in building trust-based relationships with our investors and other stakeholders.

Corporate governance structure

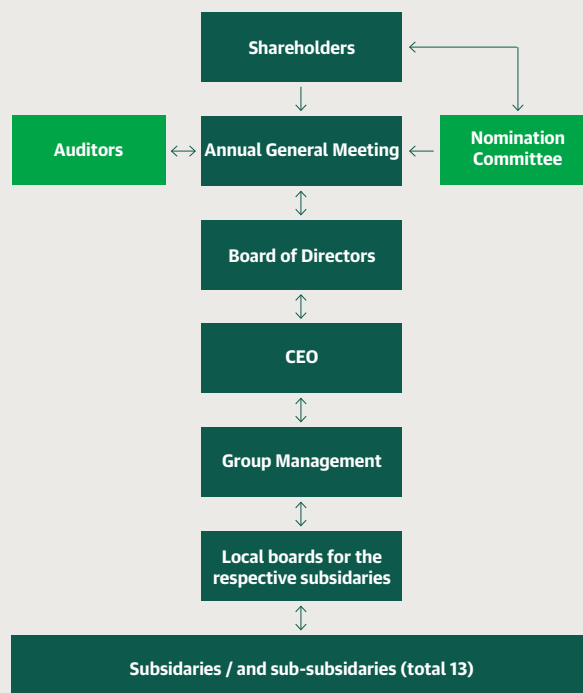
Sensys Gatso's decision-making bodies are the Annual General Meeting, the Board, the chief executive officer (CEO) and the company's auditor. At the ordinary General Meeting, which is to be held within six months of the end of the financial year (the Annual General Meeting), the shareholders appoint a Board and an auditor. The Board appoints the CEO. The auditor reviews the Annual accounts as well as the administration by the Board and the CEO. The Nomination Committee is tasked with proposing Board members, the Chairman of the Board and the auditor for election by the Annual General Meeting.

Shares and shareholders

Information on Sensys Gatso's shares and shareholders can be found on page 21. The number of shareholders at year-end was 17,041 (19,368). The largest individual shareholder is Gatso Special Products BV via BNP PARIBAS SEC SERVICES PARIS, W8IMY with a total of 17.70 percent (17.70), and the next largest shareholder is Försäkringsaktiebolaget Avanza Pension with 4.2 percent.

General Meeting

The Annual General Meeting (AGM) is Sensys Gatso's highest decision-making body. Shareholders included in the share register on the record date and who have given notice of their participation in time, are entitled to attend the AGM and to vote in person or via a proxy. At the AGM, shareholders exercise their voting rights to resolve on proposals from the Nomination Committee, the Board and the shareholders, as well as on key matters including the adoption of income statements and balance sheets, approval of the appropriation of the company's profit and discharge of the Board and CEO from their liabilities for the Nomination committee and election of the Board of Directors. The AGM also resolves on the composition of the Nomination Committee and its work, and makes decisions on principles for remuneration and other terms of employment for the CEO and other senior executives. In addition, auditors are elected, fees are determined and other statutory matters are addressed. Resolutions are normally approved by a simple majority at the AGM. In certain matters, however, the Companies Act stipulates that a proposal must be approved by a greater proportion of the votes represented at the AGM. In addition to the AGM, which is held within six months of the end of



the financial year, an Extraordinary General Meeting may be announced if the Board considers this to be necessary or if this is requested by a shareholder holding at least 10 percent of the shares.

Annual General Meeting

The 2021 AGM was held on 11 May via postal voting in accordance with the Act (2020:198) on temporary exemptions to facilitate the conduct of general and association meetings. A total of 19.98 percent (16.4) of the total number of shares and votes was represented.

The CEO informed the AGM about the position of the company and commented on the results for 2021, and the first quarter of 2021 on an audiocast with the opportunity for questions from the shareholders in good time before the Annual General Meeting on April 27, 2021.

Minutes from the AGM can be found on the Sensys Gatso website. All resolutions were passed with the required majority. Below is a selection of the resolutions passed at the meeting:

- » The 2020 annual accounts were adopted and the AGM resolved to carry forward the profit/loss for the year.
- » Remuneration report for 2020 was established.
- » The Board of Directors was discharged from liability.
- » Claes Ödman, Jochem Garritsen, Pia Hofstedt, Kerstin Sjöstrand, Christina Hallin and Nishant Batra were re-elected.
- » Claes Ödman was re-elected to serve as Chairman of the Board.

» It was resolved that fees to the Board shall be paid in the amount of SEK 1,750,000 to be distributed in the amount of SEK 500,000 to the Chairman of the Board and in the amount of SEK 250,000 each to the other members of the Board. It was noted that the Nomination Committee recommends that the Board members use 1/3 of their fee to buy shares in the company.

» Resolved, with the required majority, in accordance with the Board's proposal to introduce a long-term incentive program for senior executives and key personnel as follows:

The Board of Directors resolved to implement a long-term incentive program in the form of a stock option plan for up to 50 key executives and employees ("LTIP 2021"). LTIP 2021 is a program that spans over three award years and under which the participants will be granted, free of charge, options ("Options") that entitle the acquisition of up to 44.0 million shares in the Company subject to three-year vesting periods, in accordance with the terms stipulated below. The 2021 grants will consist of up to 90 percent of awards, i.e. up to 39.6 million shares, and the balance will be granted separately in 2022 and 2023 to selected employees who join the Company or, in exceptional cases, have been promoted.

As part of the implementation of LTIP 2021, a total of up to 55.0 million shares (including shares acquired through warrants for the hedging of social security costs) may be issued in accordance with item 16b below (of which a maximum of 90 percent, 49.5 million shares may be issued in 2021). The Board wishes to promote share ownership but also to minimise dilution and therefore intends to "net settle" exercised options, i.e. the participant receives the value of the option gain in shares. The expected share usage is hence significantly less.

If the Meeting does not approve the proposal to issue and transfer warrants in accordance with item 16b below, the Board of Director proposes that the Company shall enter into one or more equity swap agreements, in accordance with item 16c below, in order to ensure delivery of the shares under LTIP 2021.

The Board of Directors intends to propose that the Annual General Meetings in 2022 and 2023 adopts similar proposals to ensure the delivery of the remaining 10 percent of the LTIP 2021 option grants to new employees and social security hedges during those financial years.

The rationale for the proposal

LTIP 2021 is intended for the Company's key executives and employees. At least 50% of the Options will be granted to employees outside of the management team. The Board of Directors of the Company believes that an equity-based incentive program is a central part of an attractive and competitive remuneration package, facilitating the recruitment, retention and share ownership of key executives and employees, whilst aligning the interests of participants with shareholders and thus promoting sustainable, long-term value creation for the Company. LTIP 2021 is adapted to the Company's current position and needs.

Allocation

The participants can be granted Options over a maximum of 44.0 million shares in total, of which 39.6 mil-

lion shares may be used for grants in 2021. The remaining 4.4 million shares will, provided that the delivery of shares for Option grants are approved by the Annual General Meetings in 2022 and 2023, be granted during the 2022 and 2023 financial years to selected new and, in exceptional cases, promoted employees. The Board of Directors shall resolve upon the allocation of Options to individual participants subject to a maximum grant of 6 million shares to any one individual. The Board does not intend to make any other long-term incentive awards to the participants in LTIP 2021 before the end of 2023.

Conditions for Options

The following conditions shall apply for the Options.

The Options shall be granted free of charge to the participants.

The Board of Directors shall resolve upon the allocation of Options (the date of an Option grant being the "Grant Date").

Each Option entitles the holder to acquire one share in the Company for a pre-determined exercise price. The exercise price will be 110 percent of the Volume Weighted Average Price ("VWAP") of the Company's shares traded on Nasdaq Stockholm during the ten trading days before the Grant Date. The calculated exercise price shall be converted to the nearest whole öre.

The Options shall vest over a three-year period, whereby all Options shall vest on the third anniversary of the Grant Date, provided that the participant, with some customary exceptions (including good-leaver provisions, retirement and permanent incapacity to work due to illness or accident), is still employed by Company at the time.

The latest point in time at which vested Options may be exercised shall be the fifth anniversary of the Grant Date.

The Options shall not constitute securities and shall not be able to be transferred or pledged. However, in the event of a participant's death, the rights constituted by vested Options shall accrue to the beneficiaries of the holder of the Options.

At the Board of Directors' sole discretion, the number of Options can be re-calculated in the event that changes occur in the Company's equity capital structure, such as a bonus issue, merger, rights issue, share split or reverse share split, reduction of the share capital or similar measures, to achieve an outcome as neutral as possible for the participants.

In the event that the control over the Company changes so that one party, or several parties acting in concert, gains control over shares representing more than 50 percent of the total number of votes in the Company, all Options shall vest immediately.

The Options shall be governed by separate agreements with each participant. The Board of Directors shall be responsible for the preparation and management of LTIP 2021 within the above-mentioned guidelines. The Board of Directors has the right, within the framework of the agreement with each participant, to make the reasonable changes and adjustments of the terms and conditions of the Options that are deemed suitable or appropriate as a result of local employment law or tax law or administrative conditions. The Board of Directors has the right to, in extraordinary cases, limit the scope of, or prematurely terminate, LTIP 2021 in whole or in part.

Preparation and administration

The Board of Directors is responsible for preparing the detailed terms and conditions of LTIP 2021, in accordance with the above mentioned terms and guidelines.

Preparation of the proposal

LTIP 2021 has been initiated by the Board of Directors based on an evaluation of comparable incentive programs, carried out by an external consultant.

Issue and transfer of warrants

In order to ensure the delivery of shares granted in 2021 under LTIP 2021 and for the hedging of social security costs, the Board of Directors proposes that the Annual General Meeting resolves to issue a maximum of 11,000,000 warrants, whereby the Company's share capital may be increased by not more than SEK 550,000 in accordance with the following:

The right to subscribe for the warrants shall, with deviation from the shareholders' pre-emptive rights, only vest with Sensys Gatso Sweden AB, a wholly-owned subsidiary of the Company. The reason for the deviation from the shareholders' pre-emptive rights is the implementation of LTIP 2021. Sensys Gatso Sweden AB shall be entitled to transfer the warrants free of charge to the participants or to a financial intermediary in connection with exercise, or in another way dispose of the warrants in order to be able to secure the Company's commitments and costs in relation to LTIP 2021.

The warrants shall be issued free of charge and shall be subscribed for no later than 30 June 2021.

The warrants may be exercised during the time period from the registration of the warrants with the Swedish Companies Registration Office (Sw. Bolagsverket) up to and including 31 December 2026.

The exercise price for subscription for shares based on the warrants shall correspond to the share's quota value. Shares issued upon exercise of warrants shall confer right to dividend in accordance with Clause 7 of the terms and conditions of the warrants.

The Chairman of the Board of Directors shall be authorized to make such minor adjustments that may be required to register the issuance.

Dilution

The maximum number of shares that may be issued pursuant to an exercise of Options under LTIP 2021 is 55.0 million shares (including hedging of social security costs), technically corresponding to a maximum dilution of approximately 6 percent. However, to promote continued share ownership and to minimize dilution, the Company will seek to meet its obligations through "net settled" arrangements, where the participant receives the net value in shares. To illustrate this, if the Company grants the maximum 90% of options in 2021 when the share price is SEK 1.40, the exercise price will be 10% higher at SEK 1.54 and the total number of options will be 49.5 million, including a 25% hedge for social security. If the options are settled with a corresponding number of shares the dilution will be 5.4%. But if the option is "net settled", only the value increase will need to be met. For example, at a 100% share price increase this would require 22.3 million shares, or 2.4% dilution over a three year period, equaling an average of 0.8% dilution per year.

The Company currently has one outstanding share-based incentive plan. Upon the recruitment of the CEO, shareholders approved a one-off stock option plan with a similar structure to this proposal, which vested in 2020 remains exercisable until 2022.

Scope and costs of the program

LTIP 2021 will be accounted for in accordance with "IFRS 2 - Share based payments". IFRS 2 stipulates that the Options shall be expensed as personnel costs over the vesting period and will be accounted for directly against equity. Personnel costs in accordance with IFRS 2 do not affect the Company's cash flow. Social security costs will be expensed in the income statement according to UFR 7 during the vesting period.

Assuming a share price at the time of allocation of SEK 1.40 and that all Options are vested and exercised upfront, the annual cost for LTIP 2021 according to IFRS 2 is estimated to approximately SEK 6.23 million per year before tax and approximately SEK 18.69 million over the lifespan of the program. Within these amounts, the annual and total costs for Options granted in 2021 are estimated to be approximately SEK 5.57 million and SEK 16.71 million respectively. Since the social security costs associated with LTIP 2021 are covered by hedging measures through the issue of warrants, which will be exercised by a financial intermediary in connection with the exercise of the Options, the social security costs associated with LTIP 2021, estimated at 25 percent, will be fully covered. The hedging measures will instead result in an additional dilution of the Company's current shareholders (which is included in the dilution calculations presented under the heading "Dilution" above). Further, the costs associated with the establishment and administration of LTIP 2021 are estimated to be a total of SEK 850,000 up to the vesting period. In addition, minor brokerage costs will arise in connection with the exercise of hedging warrants by a financial intermediary.

The costs associated with LTIP 2021 are expected to have a marginal effect on the Company's key performance indicators.

Equity swap arrangements

The Board of Directors proposes that the Annual General Meeting authorizes the Board of Directors to pass a resolution, on one or more occasions, for the period up until the next Meeting, to direct the Company to enter into one or more equity swap agreements with a third party (e.g., a bank), on terms and conditions in accordance with market practice, to hedge the obligations of the Company under LTIP 2021. Under such equity swap arrangements, in exchange for certain fees paid by the Company, the third party acquires (in its own name) such number of shares in the Company as are necessary to cover the Company's obligations under the LTIP 2021 and then, transfer (in its own name) such shares to the participants per the terms of the LTIP 2021.

Scope and costs of the program

LTIP 2021 will be accounted for in accordance with "IFRS 2 - Share based payments". IFRS 2 stipulates that the Options shall be expensed as personnel costs over the vesting period and will be accounted for directly against equity. Personnel costs in accordance with IFRS 2 do not affect the Company's cash flow. Social security costs will

be expensed in the income statement according to UFR 7 during the vesting period.

Assuming a share price at the time of allocation of SEK 1.40 and that all Options are vested and exercised upfront, the annual cost for LTIP 2021 according to IFRS 2 is estimated to approximately SEK 6.23 million per year before tax and approximately SEK 18.69 million over the lifespan of the program. Within these amounts, the annual and total costs for Options granted in 2021 are estimated to be approximately SEK 5.57 million and SEK 16.71 million respectively. Further, the costs associated with the establishment and administration of LTIP 2021 are estimated to a total of SEK 850,000. The costs associated with LTIP 2021 are expected to have a marginal effect on the Company's key performance indicators.

The costs above do not include the costs for entering into equity swap arrangements with a third party.

- » It was resolved to authorise the Board to make decisions concerning issuance of shares on one or more occasions during the period until the next Annual General Meeting. The total number of shares that may be issued pursuant to this authorisation may not exceed 10 percent of the number of shares outstanding in the Company as per the date of the AGM.
- » It was resolved, by the required majority, to authorize the Board to make decisions on the acquisition and transfer of own shares in accordance with the Board's proposal,
- » Resolved, by the required majority, to amend the Articles of Association in accordance with the Board's proposal,

Nomination Committee

A Nomination Committee is formed each year at the initiative of the Chairman of the Board. According to the AGM, the Nomination Committee shall represent the four largest shareholders of the company. If a Nomination Committee comprising five members (including the chairman) is not obtained after having contacted the eight largest shareholders, the chairman shall continue to contact the shareholders that are next in turn until a Nomination Committee comprising four members (including the chairman) has been obtained. The work of the Nomination Committee takes place at the end of the financial year and the beginning of the new year. The Nomination Committee is to observe the guidelines that apply to independent Board members under the Swedish Corporate Governance Code when making nominations to the AGM. The Nomination Committee's proposals, with regard to the election and remuneration of Board members, are presented in the notice of the AGM as well as on the company's website. The members of the 2021 Nomination Committee were appointed based on the ownership structure as per 30 September 2020 and known changes thereafter.

The Nomination Committee has consisted of:

- » Jan Johansson (appointed by Inger Bergstrand),
- » Per Wall (for his own holdings),

- » Timo Gatsonides (for his own and others' holdings) and
- » Claes Ödman (in his capacity of Chairman of the Board for the company).

Timo Gatsonides was appointed Chairman of the Nomination Committee. No remuneration has been paid for the work of the Nomination Committee. Sensys Gatso Group deviates from the Code's rule 2.3, second paragraph, which states that neither the CEO nor other members of executive management are to be members of the Nomination Committee. The shareholder controlling the largest number of the votes has appointed Timo Gatsonides, who was the CTO of Sensys Gatso Group and former member of executive management until January 19, 2021. In light of Timo Gatsonides' knowledge of Sensys Gatso and his large direct shareholding through a family company, it was deemed beneficial to the company to deviate from the Code on this point.

The nomination committee applies and complies with the diversity policy in the corporate governance code in its development of the proposal of directors to the board of directors. The goal of the policy is that the board shall take into account the business operations, development phase and other circumstances to prepare an appropriate composition characterized by diversity of and breath of competence, experience and background and to aim for a balanced gender distribution.

At the 2021 AGM, six members were elected, of whom three are women and three are men. As a basis for its proposal for the 2022 AGM, the Nomination Committee makes an assessment of whether the Board is appropriate based on an annual assessment of the Board's work and applying the Company Code. All shareholders are entitled to approach the Nomination Committee with proposals for the AGM. No such proposals were received before the AGM in 2021.

Role and composition of the Board

The company's business is to develop and market traffic enforcement and traffic informatics products. The Board plays a central role in Sensys Gatso's long-term strategy, which is based on four pillars and is focused on profitable growth:

- » Expansion in the US with traffic enforcement as a service
- » Establishment in new markets with traffic enforcement as a service
- » Development of scalable software and flexible hardware
- » Expansion of service offering in our current markets

After the Annual General Meeting, the Board is the Company's highest decision-making body. The work of the Board is governed, among other things, by the Companies Act, the Articles of Association and the Board's Rules of Procedure. The Board establishes goals and strategic guidelines, is responsible for ensuring that the CEO executes Board decisions and has ultimate responsibility for the Company's internal control and risk management.

The Nomination Committee ahead of 2021 AGM comprises:

Member of the Nomination Committee	Representing	Participation/votes	Member of the Nomination Committees since
Per Wall	for own holdings	23,000,000	2017
Jan Johansson	Inger Bergstrand	20,659,837	2014
Timo Gatsonides	Gatso Special Products BV	163,180,523	2015
Claes Ödman	Chairman of the Board	671,818	2016

According to the Articles of Association, the Board of Directors shall consist of a minimum of three and a maximum of seven members. At the AGM, six ordinary Board members were elected. More information on the Board members can be found in the table on page 30. The Board of Sensys Gatso consists of:

- » Claes Ödman, Chairman of the Board (re-election)
- » Jochem Garritsen (re-election)
- » Kerstin Sjöstrand (re-election)
- » Pia Hofstedt (re-election)
- » Christina Hallin (re-election)
- » Nishant Batra (re-election)

All members of Sensys Gatso's Board of Directors are independent in relation to both the company and the company's major shareholders. No member of the Board is employed by the Group. The Nomination Committee's assessment regarding whether each proposed member meets the independence requirements is announced in connection with the Committee's proposal. For further information see pages 30 and 34.

The work is based on the Board's Rules of Procedure and follows an annual plan. Each meeting is based on an agenda and relevant background documentation distributed to the members of the Board in advance of the meeting. In addition to the statutory Board meeting in conjunction with the Annual General Meeting, the Board normally meets nine times a year (ordinary meetings, including meetings in connection with the publication of interim and annual reports). Additional Board meetings are convened when necessary. In 2021 the Board held a total of 15 (18) meetings. Matters addressed by the statutory Board meeting included the Board's Rules of Procedure, decisions regarding authorisation of company signatories, instructions for the CEO and the Board's annual planning. To date, not having found this appropriate in view of the size of the company and the independence of the board members, the Board has not established an Audit Committee or Remuneration Committee. The entire Board of Directors serves as the audit committee and remuneration committee. Ordinary Board meetings include several fixed agenda items such as strategic focus areas and risk

management. Extra time is allocated to four Board meetings annually during which special emphasis is placed on strategic issues and future business. Reporting includes developments within the operation, the organisation, analyses of risks, sustainability work, financial position and an annual update and review of the company's policies. The Board takes decisions on matters concerning the Group's strategic focus, finances, investments, acquisitions, sales and organisational issues, as well as rules and policies. All Board decisions are based on decision-making documentation and are made following discussions mediated by the Chairman of the Board. The Board monitors operations, partly through monthly reports provided by the CEO, and partly through their own work. Informal contact is also maintained among the members of the Board.

The Chairman of the Board leads the work of the Board and follows the activities in dialogue with the CEO. The Chairman of the Board represents the Company in matters concerning shareholder structure and matters of specific importance. The Chairman is responsible for ensuring that the work of the Board is well-organised and efficient, that the Board fulfils its commitments and that it receives satisfactory information and decision-making documentation.

Committees

Work in the audit committee and remuneration committee is handled according to the Board's annual plan at ordinary Board meetings. The Board takes responsibility for, and makes decisions concerning the salaries and incentive programs of the CEO and the executive management based on policies determined by the AGM. The Board is responsible for the audit. The Board fulfils this duty by maintaining regular contact with the auditing firm, meets the company's auditor without the company's management and by examining their plan for the audit activities and remuneration for this work.

Evaluation of the work of the board

The work of the Board is evaluated annually through a structured process led by the Chairman of the Board.

Board work 2021

Q1	Q2	Q3	Q4
Year-End and Q4 report 2020	Annual report incl. sustainability report 2020	Interim report Q2 2021	Interim report Q3 2021
Audit	Interim report Q1 2021	Audit	Audit
Remuneration	Audit	Investigation in The Netherlands legally dismissed	Remuneration
Board evaluation	Remuneration	Strategy and business planning	Strategy and business planning
Handling of investigation in the Netherlands	Statutory board meeting after the Annual General Meeting	Technology road map	Budget 2022
Talent management and succession planning	Annual plan audit	Budget	
Proposal share based incentive program	Policies and instructions	Establishment in Colombia	
AGM preparations	Strategy and business planning	US business plan	
	Organizational development		
	Technology road map		
	Risk reporting		

Board of Directors, as per year end 2021

Board of Directors elected by the AGM	Attendance	Born	Elected	Fee	Number of shares/votes	Nationality	Function	Independent*
Claes Ödman	15/15	1965	2011	500,000	671,818	Swedish	Chairman of the Board	independent
Kerstin Sjöstrand	15/15	1958	2016	250,000	334,162	Swedish	Board member	independent
Pia Hofstedt	15/15	1961	2016	250,000	400,000	Swedish	Board member	independent
Christina Hallin	15/15	1960	2019	250,000	52,500	Swedish	Board member	independent
Jochem Garritsen	15/15	1972	2015	250,000	110,142	Dutch	Board member	independent
Nishant Batra	13/15	1978	2020	250,000	0	Swedish	Board member	independent

*Independent in relation to the company and/or the owners.

The 2021 evaluation was conducted by means of a questionnaire with the aim of obtaining an understanding of Board members' views on the formats of the work of the Board, the composition of the Board, of Directors, the performance of the Board and areas for improvement. The results of the evaluation have been presented and discussed by the Board. The conclusions from these evaluations and discussions have been reported orally to the Nomination Committee.

The Chairman of the Board leads the work of the Board and follows the activities in dialogue with the CEO. The Chairman of the Board represents the Company in matters concerning shareholder structure and matters of specific importance. The Chairman is responsible for ensuring that the work of the Board is well-organised and efficient, that the Board fulfils its commitments and that it receives satisfactory information and decision-making documentation.

Remuneration to the Board

The AGM resolved that Board fees should be paid in the amount of SEK 1,750,000 per year (1,400,000), of which SEK 500,000 (400,000) will be paid to the Chairman of the Board and SEK 250,000 (200,000) per year to the other Board members.

Fees payable to Board members are determined annually by the AGM. No separate fees are payable for work on committees. In 2021, remuneration was paid in accordance with note 2.

Ensuring the quality of financial reporting

The Rules of Procedure, as well as the company's policies, which are adopted annually by the Board, include detailed instructions on matters such as what financial reports and information should be provided to the Board. In addition to year-end reports, interim reports and annual reports, the Board reviews and evaluates extensive financial data regarding Sensys Gatso. The Board also processes information on risk assessments, disputes and any irregularities that may have an impact on the financial position of Sensys Gatso. The Board also reviews the most significant accounting principles applied in the Group regarding financial reporting and material changes in accounting principles, as well as reports on internal control and the processes for financial reporting.

The Company's auditors report to the Board when necessary and at least twice annually; on at least one of these occasions the company's management is not present. In connection with the Board meeting that deals with the annual financial statements, the Administration Report, the proposed appropriation of profit and the year-end report, the Company's auditor submits a report on observations and remarks from the audit.

The company's auditor, elected at the AGM, examines Sensys Gatso's annual report and consolidated accounts, the administration of the company by CEO and the Board of Directors, as well as the annual accounts of subsidiaries. The auditor also submits an audit report. The audit is conducted in accordance with the Swedish Companies Act, International Standards on Auditing (ISA) and generally accepted accounting principles in Sweden. The 2021 AGM appointed BDO Mälardalen AB as auditor with Johan Pharmansson as the auditor in charge. In February 2022, Johan Pharmansson from BDO Mälardalen AB personally presented his report to the Board regarding the auditing assignment and the Company's internal controls for 2021. BDO Mälardalen AB coordinated the audit of the Group's subsidiaries and all activities with a significant scope of

operations at the subsidiaries were audited by BDO in the respective countries. The 2021 AGM resolved that remuneration be paid to the auditor in accordance with approved invoicing. The audit fee for 2021 amounted to a total of MSEK 3.3 for the entire Group in accordance with Note 21.

CEO and Group Management

The CEO leads the operations in accordance with the instructions to the CEO as adopted by the Board. In consultation with the Chairman, the CEO compiles the necessary information and documentation which provides the basis for the Board's work. The CEO is responsible for ensuring that the Board receives relevant information and the decision-making documentation required for the Board to be able to make well-founded decisions. The CEO presents and justifies proposals for decisions. The CEO leads the work of the Group Management and renders decisions in consultation with other members of the management team. In 2021, Group Management consisted of the CEO, CFO, CCO and CTO. Group Management holds regular meetings to follow up operations, discuss relevant matters and draft proposals for strategic plans and budgets, which the CEO presents to the Board for decisions. Group Management has strategy days with the Board twice a year.

The Sensys Gatso Group's operations comprise five active subsidiaries. The operations of the subsidiaries are controlled by their Boards of Directors. Sensys Gatso has a decentralized structure, with a strong focus on responsibility and performance.

Guidelines for remuneration and other employment terms and conditions for senior executives

The Group Management falls within the provisions of these guidelines. The guidelines are forward-looking, i.e. they are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the Annual General Meeting. These guidelines do not apply to any remuneration decided or approved by the General Meeting. Remuneration for employment subject to other rules than Swedish may be duly adjusted to comply with mandatory rules or local practice, taking into account the overall purpose of these guidelines. The guidelines' promotion of the Company's business strategy, long-term interests and sustainability

In short, the Company's business strategy is the following.

- » Expansion in the US-market with Traffic Enforcement as a Service
- » Entry into new markets with Traffic Enforcement as a Service
- » Developing scalable software & flexible hardware
- » Extension of the service scope in existing markets

For more information regarding the Company's business strategy, please see www.sensysgatso.com

The Company shall offer total remuneration at the prevailing market rate to enable the recruitment and retention of senior executives.

Types of remuneration, etc.

Remuneration of the Group Management shall consist of a base salary, variable remuneration, pension and other benefits and remuneration. Together, these various parts shall comprise each individual's total remuneration. Additionally, long-term share-related incentive plans can be implemented in the Company. Such plans are resolved by the General Meeting and are therefore excluded from

these guidelines. Variable remuneration covered by these guidelines shall aim at promoting the Company's business strategy and long-term interests, including its sustainability. The base salary and variable compensation together constitute the senior executive's annual salary. The base salary shall take into consideration each individual's area of responsibility and experience. The variable compensation shall be linked to predetermined and measurable criteria. The variable compensation is based on the Company's net sales and EBITDA for the financial year, and may be paid to the Group Management. For the CEO and other members of the Group Management the variable compensation can amount to a maximum 50 per cent of their annual base salary. No variable compensation is to be paid out in the event of negative EBITDA. The Board of Directors is responsible for evaluating to what extent the criteria have been satisfied. The criteria shall be designed so as to contribute to the Company's business strategy and long-term interests, including its sustainability, by for example being clearly linked to the business strategy or promote the executive's long-term development. The CEO shall benefit from a supplementary pension scheme with a premium that represents approximately 30 percent of the current annual salary. Other members of the Group Management shall have the right to retirement pensions as per the Swedish ITP plan or equivalent. The retirement age is 65 years. Other remuneration and benefits shall be paid at market rate and contribute to enabling each senior executive to fulfill their duties. Such benefits may be of a limited amount. For employment governed by rules other than Swedish, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or local practice, taking into account the overall purpose of these guidelines.

The CEO's employment contract includes termination conditions. The notice period is six months. If notice is made from the Company's side a severance pay in the form of another three months' salary is paid. The customary notice period of three to six months applies to all other members of the Group Management. The fixed salary shall remain unchanged during the notice period. Additionally, remuneration may be paid for non-compete undertakings. Such remuneration shall compensate for loss of income and shall only be paid in so far as the previously employed executive is not entitled to severance pay. The remuneration shall be based on the fixed cash salary at the time of termination of employment and be paid during the time the non-compete undertaking applies, however not for more than 9 months following termination of employment.

Salary and employment conditions for employees

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the Company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the remuneration committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

The decision-making process to determine, review and implement the guidelines

The Company does not have a Remuneration Committee, instead the Board of Directors handle all matters. The matters that would have been handled by a Remuneration Committee are instead handled by the Board of Directors, inter alia, preparing the Board of Directors'

decision to propose guidelines for executive remuneration. The Board of Directors also monitors and evaluates questions regarding the CEO's terms of employment, pension benefits and variable remuneration, and resolves on corresponding terms regarding other senior executives. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the General Meeting. The guidelines shall be in force until new guidelines are adopted by the General Meeting. The Board of Directors shall also monitor and evaluate programs for variable remuneration for the executive management, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the Company. The CEO and other members of the executive management do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Derogation from the guidelines

The Board of Directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the Company's long-term interests, including its sustainability, or to ensure the Company's financial viability. As set out above, the Board of Directors' tasks include preparing the resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines. Remuneration to senior executives can be found in note 2.

Governing documents and internal control

The purpose of internal control is to create an effective decision-making process in which requirements, goals and frameworks are clearly defined. Ultimately, internal control is aimed at protecting the company's assets and thus the shareholders' investment. The Board has overarching responsibility for ensuring that Sensys Gatso maintains satisfactory internal control. The CEO is responsible for ensuring that there is a satisfactory system of internal control covering all material risks in ongoing operations. Each year, the Board adopts governing documents in the form of instructions to the CEO, policies and guidelines including the Code of Conduct, Anti-Corruption Policy, Privacy and Data Protection Policy, Risk Policy, Information Policy, Insider Policy and Whistle Blower Policy. The company has procedures for training and compliance, assessment and evaluation of internal efficiency. The company's business plan with follow-up is an important means of ensuring internal control. The Board's Rules of Procedure along with the instructions for the CEO provide guidance and clarify what decisions are made by the Board and what decisions are made by the CEO. Given the operations and organisational structure of the Sensys Gatso Group, as well as how financial reporting is organised in other respects, the Board did not find a need for a dedicated audit function in the form of internal audit.

The CEO is responsible for ensuring that the Board of Directors receives the reports required to continually assess the financial position of the company. The Board continually assesses the financial reporting, which includes financial developments, financial position, cash flow and liquidity, as well as other important conditions. The CEO and CFO, who report to the Board, are responsible for maintaining an effective control environment and the ongoing processes of internal control and risk management. The Board maintains an ongoing dialogue with the Company's auditor regarding the scope and quality of the Company's financial reporting, as well as the effectiveness

of the internal control and governance.

The Sensys Gatso Group's operations comprise active subsidiaries. The operations of the subsidiaries are controlled by their Boards of Directors with representatives from Group Management. Sensys Gatso has a decentralized structure and culture, with a strong focus on responsibility and performance.

Code of Conduct, policies and guidelines

Our global presence requires that our employees and business partners take responsibility for themselves and for each other. To this end we have created a regulatory framework, our Code of Conduct.

The Code of Conduct is to be followed by everyone in our Group, including our employees, the Board and management. We also inform our business partners about the Code of Conduct, and we expect them to comply with it.

Our Code of Conduct states that we are to act as a reliable and honest partner, living up to our commitments. We believe in long-term business relationships in which we, together with our business partners, create a basis for strong financial results, concern for the environment and social commitment. The Code clarifies our position on issues related to human rights, labour conditions, the environment, business ethics and communication. The Code applies to all Sensys Gatso employees, regardless of their position.

In addition to the code of conduct, the board adopts a large number of policies and guidelines, e.g. anti-corruption policy, whistleblower policy, data and information security policy, risk policy, information policy and insider policy. In January this year, Sensys Gatso informed the market that the Dutch Tax Information and Tax Investigation Authority (FIOD) in the Netherlands had initiated an investigation into alleged irregularities on Gatsometer B.V that would take place in 2014-2015 before the company was acquired by Sensys Traffic. Sensys Gatso naturally cooperated fully with the investigating authorities and carried out a thorough internal investigation of the allegations and the results were communicated to FIOD. At the beginning of August 2021, Sensys Gatso was informed of the formal results of the investigation. The Dutch authorities rejected the allegations and the investigation was closed. Sensys Gatso is a company based on integrity. It defines who we are as people, as partners to our customers and how we shape our solutions. It was integrity that guided us in our communication with the authorities and the market.

Equality and diversity policy

Differences between people include not only gender, ethnic origin, age, disability, religion and sexual orientation, but also experience, education, living situation and values. Taken together, such differences create a dynamic diversity that adds new perspectives and ideas. This collective diversity represents the competence within Sensys Gatso, which is a strategic asset in the Group's commercial and operational development. Sensys Gatso views equality and diversity as both self-evident and a strength, and therefore strive to achieve diversity in the composition of the workforce and in recruitment. The purpose of the equality policy is to prevent individuals from being chosen for certain groups purely/primarily due to their gender, or so that a group does not become single gendered. Candidates are appointed to positions based on the defined requirements profile. If candidates are equally qualified, Sensys Gatso shall ensure that the company's work groups are well balanced and that Sensys Gatso uses the time and skills of its employees in a manner that benefits

both operations and individual personal development. When filling vacant positions, the company shall also strive to achieve the best possible age and ethnicity distribution.

In practice, this means that management takes responsibility and strives to ensure that the company's groups have a good balance of employees whose time and skills are used in a manner that benefits both operations and individual personal development. The aim is to strive for as even a distribution as possible of all work tasks in the workplace and to act to prevent gender division in different tasks and roles.

Risk assessment

The company continuously monitors risk and updates its analysis and assessment of risks that could lead to errors in the financial reporting. This is achieved mainly through documented procedures and contacts between the CEO and CFO. The financial risk assessment is mainly related to the potential for material misstatement in the reporting of the company's financial position and performance. To minimise these risks, governing documents have been established for accounting and there are procedures for annual reporting and follow-up of reported annual accounts. The financial reporting is managed through the Group's control structure. Management also works continuously to identify and manage significant risks that affect the financial reporting. More information about the company's risk management and financial risks can be found in Note 25.

Management identifies those areas that are at increased risk of strategic, financial, or operational errors. In accordance with the risk policy, at least once a year the Board analyses the outcome of the company's risk assessment and risk management to ensure that it covers all significant risk areas.

Control activities

Sensys Gatso has established and documented a number of internal procedures that are both preventive in nature and aimed at avoiding losses or errors in the financial reporting. Control activities involve all levels in the organisation. To ensure completeness and accuracy in the financial reporting, instructions and guidelines are being put into place and communicated to the relevant personnel. Control activities also include follow-up and comparisons of earnings and order intake, account reconciliations and balances, as well as accounting and valuation principles.

Financial reports are prepared for the Group each quarter. The process includes detailed reviews and analyses, as well as specific analyses of revenue recognition, cost follow-up, investments, cash flow, financing and liquidity. The control environment, which is summarised in Sensys Gatso's policies and guidelines, is established based on how the operations are organised, the corporate culture, communication, documentation and follow-up. The main task for management and its employees is, in part, to apply, assess and maintain Sensys Gatso's control procedures and, in part, to perform internal control focused on business-critical issues. The company's auditor reviews a selection of controls and procedures and reports any areas for improvement to the management team and the Board. Nothing has emerged to indicate that the control system would not work as intended.

The Sensys Gatso share is listed on a regulated market, Nasdaq Stockholm, and the company applies and follows the Nasdaq Rulebook for Issuers of Shares, as well as laws, rules, and good practices in the stock market. The share is traded under the ticker symbol SENS.

Board of Directors



CLAES ÖDMAN
CHAIRMAN OF THE BOARD

Born: 1965

Board member since 2011.

Education: Masters Degree in Engineering Physics and an MBA, both from Chalmers in Gothenburg.

Background: President of AddSecure Smart Transport. Previously COO and member of Group management of Swiss listed company Ascom as well as various executive positions at Ericsson AB, including in Singapore and Taiwan.

Shareholding: 671,818 shares.



JOCHEM GARRITSEN

Born: 1972

Board member since 2015.

Education: Master of Science degree in Systems Engineering, Policy Analysis and Management, University of Delft. Jochem is from the Netherlands.

Background: Senior Business Manager at Nokia. Has worked in the telecommunication industry in The Netherlands and abroad since 1999. Is a strong international leader and has held senior sales and business line head positions for professional services.

Other directorship: No

Shareholding: 110,142 shares.



CHRISTINA HALLIN

Born: 1960

Board member since 2019.

Education: MSc in Engineering Chalmers University of Technology.

Background: Current position CEO SEM AB, previous Vice President Volvo Trucks China and India respectively, Senior Vice President of Dong Feng Commercial Vehicles, Various senior positions within Volvo Group.

Other directorship: Board member of Bulten AB (publ), Alimak Group AB (publ) and SEM (Swedish Electromagnet AB).

Shareholding: 52,500 shares.



PIA HOFSTEDT

Born: 1961

Board member since 2016.

Education: Degree in Business Administration from Stockholm University and management training, Dale Carnegie.

Background: Extensive background as CIO within different industries. Currently CIO Quant AB, Former CIO at Aleris, Scandic Hotels, Salus Ansvar, Neo Net AB, CEO Neo Net Technology.

Other directorship: CEO Hofstedt Management & Consulting, Board member Seamless Distribution Systems.

Shareholding: 400,000 shares.



NISHANT BATRA

Born: 1978

Board member since 2020.

Education: Nishant Batra has an MBA from Insead in 2006 and Master's degrees in telecommunications and Computer Science from Southern Methodist University in Dallas.

Background: CSTO for Nokia (Chief Strategy and Technology Officer). Former EVP and CTO of Veoneer Inc. Several senior positions at Ericsson in the US, Sweden and India.

Other directorship: No

Shareholding: 0 shares.



KERSTIN SJÖSTRAND

Born: 1958

Board member since 2016.

Education: B.Sc. Business Administration from Stockholm University.

Background: Has worked 30 years at SEB within different roles such as CFO and chief of staff at division level and business manager for the Swedish card business.

Other directorship: No

Shareholding: 334,162 shares.

All board members are independent in relation to the company and its management, independent in relation to the company's major shareholders.

Senior executives



IVO MÖNNINK
CEO

Born: 1962

Employed since 2017.

Education: Master in Business Economics, Erasmus University Rotterdam.

Background: Has previously worked as CEO of Hitec Power Protection, Ferm powertools and Besin International (now Smurfit Kappa Hexacomb). Started his international career in commercial roles with Nike and Unilever.

Other directorship: Chairman of the Board at EasyScan Holding B.V. Owner of, and Board member of Destro Management B.V.

Shareholding: 1,642,615 shares. 6,000,000 call options valid from October 1, 2020. 5,500,000 LTIP 2021 call options valid from June, 2024.



SIMON MULDER
CFO

Born: 1978

Employed since: 2016

Education: Post Master Accountancy.

Background: Has previously worked as Finance Director of Sensys Gatso Group The Netherlands and Senior Audit Manager at BDO.

Other directorship: No

Shareholding: 120,000 shares. 2,750,000 LTIP 2021 call options valid from June, 2024.



PÄR DEGERMAN

CTO, from 15 February 2021

Born: 1976

Employed since: 2021

Education: Master of Science and a Licentiate degree from Linköping University.

Background: International technical background from Scania and Einride where he has served as CTO of the company.

Other directorship: No

Shareholding: 52,555 shares. 2,750,000 LTIP 2021 call options valid from June, 2024.



JORIS LAMPE

CCO

Born: 1972

Employed since: 2017

Education: MSc in Science and Business Administration, Twente University.

Background: Has previously worked as Account Manager at Lucent Technologies, as Sales Manager at Nedap and as Managing Director of Itron Nederland.

Other directorship: No

Shareholding: 25,000 shares. 2,750,000 LTIP 2021 call options valid from June, 2024.

Up-to-date information on the members of the Board of Directors and Senior executives and their securities holdings is available on our website:

www.sensysgatso.com

Group

Statement of Income and other comprehensive income

TSEK	Note	2021	2020
Net sales	1,3	506,789	454,933
Cost of sales		-300,854	-293,066
Gross profit		205,935	161,867
Selling costs		-66,057	-72,177
Administrative costs		-63,823	-48,300
Development costs		-36,268	-34,080
Other operating costs		6,121	3,511
Operating profit/loss	2,4,6,7,21	45,908	10,821
Interest income/foreign exchange gains		6,425	1,405
Interest expense/foreign exchange loss		-5,025	-9,751
Net financial items	8	1,400	-8,346
Profit/loss before tax		47,309	2,476
Income tax for the year	5	-12,318	1,478
Profit or loss for the year		34,991	3,954
Profit attributable to owners of Sensys Gatso Group AB		32,578	5,051
Profit attributable to non-controlling interest		2,413	-1,097
		34,991	3,954
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss</i>			
Translation differences		10,467	-19,697
Total other comprehensive income for the period, net after taxes		10,467	-19,697
Total comprehensive income for the year		45,458	-15,743
Total comprehensive income attributable to owners of Sensys Gatso Group AB		43,045	-14,646
Total comprehensive income attributable to non-controlling interest		2,413	-1,097
Total comprehensive income for the year		45,458	-15,743
Earnings per share before dilution		0.04	0.01
Earnings per share after dilution		0.04	0.01
Proposed dividend per share		-	-
Average number of outstanding shares before dilution, thousands		921,776	860,024
Average number of outstanding shares after dilution, thousands		921,776	879,245
Number of outstanding shares, thousands		921,776	921,776

Group

Balance Sheet

TSEK	Note	31 Dec 2021	31 Dec 2020
ASSETS			
INTANGIBLE FIXED ASSETS			
Goodwill		251,127	242,145
Brand		8,011	9,857
Customer contracts and Customer relations		501	1,298
Product and software development		48,023	36,229
	9	307,662	289,529
TANGIBLE FIXED ASSETS			
Property, plant and equipment	10	70,571	59,291
Right of use assets	7	21,643	27,145
		92,213	86,436
FINANCIAL FIXED ASSETS			
Deferred tax assets	11	36,238	39,983
Other noncurrent assets		266	289
		36,504	40,272
		436,379	416,237
INVENTORIES			
Work in progress		77,366	82,479
Finished products and systems for resale		19,421	44,839
	12	96,787	127,318
OTHER CURRENT ASSETS			
Trade receivables	13, 16	141,282	68,142
Current tax assets		2,400	2,673
Other receivables		6,835	1,251
Prepaid expenses and accrued income	14, 16	41,348	43,134
		191,865	115,200
CASH AND CASH EQUIVALENTS			
Cash and bank balances	16	72,463	108,489
		72,463	108,489
		361,115	351,007
		797,494	767,244

Group

Balance Sheet

TSEK	Note	31 Dec 2021	31 Dec 2020
SHAREHOLDERS' EQUITY AND LIABILITIES			
CAPITAL AND RESERVES ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY			
Share capital	17	46,089	46,089
Other contributed capital	17	500,727	500,727
Other reserves		26,862	16,394
Retained earnings incl net profit for the year		-12,273	-46,636
		561,405	516,574
Non-controlling interest		398	-2,015
TOTAL SHAREHOLDERS' EQUITY		561,803	514,559
LIABILITIES			
NON CURRENT LIABILITIES			
Borrowings	15, 16, 17	23,292	8,783
Liabilities to shareholders	15, 16, 18	20,454	28,246
Deferred tax liabilities	11	3,379	4,703
Other provisions	19	4,049	4,734
Lease liability	7, 16, 17	14,247	19,043
TOTAL NON CURRENT LIABILITIES		65,421	65,509
CURRENT LIABILITIES			
Borrowings	15, 16, 17	41,110	42,857
Liabilities to shareholders	15, 16, 18	8,527	10,038
Other provisions	19	8,390	6,878
Lease liability	7, 16, 17	8,696	9,334
Trade payables	16	37,118	62,417
Current tax liabilities		7,871	1,503
Other liabilities	16	4,513	3,476
Prepayments from customers		2,874	6,964
Accrued expenses and deferred income	20	51,171	43,709
TOTAL CURRENT LIABILITIES		170,270	187,176
TOTAL LIABILITIES		235,691	252,685
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		797,494	767,244

Group

Statement of Changes in Shareholders' equity

	Share capital	Other contributed capital	Other reserves	Retained earnings	Non-controlling interest	Total shareholders' equity
Shareholders' equity 1 Jan 2020	43,002	422,594	36,089	-51,914	-918	448,854
Net profit of the year				5,051	-1,097	3,954
Other comprehensive income			-19,696			-19,696
New share issue (net after tax effect)	3,087	81,388				84,475
New share issue costs		-4,035				-4,035
Tax effect on share issue costs		780				780
Stock related remunerations				227		227
Shareholders' equity 1 Jan 2021	46,089	500,727	16,393	-46,636	-2,015	514,559
Net profit of the year				32,578	2,413	34,991
Other comprehensive income			10,468			10,468
Stock related remunerations				1,785		1,785
Shareholders' equity 31 Dec 2021	46,089	500,727	26,861	-12,273	398	561,803

	2021
Number of shares	921,776
Profit attributable to owners of Sensys Gatso Group AB	32,578
EARNINGS PER SHARE	0.04

Group

Cash Flow

TSEK	2021	2020
Operating profit/loss	45,908	10,821
Adjustments for non-cash items		
Depreciation and amortisation	37,594	48,618
Movement in warranty provision	797	-6
Exchange rate effects	-11,665	581
Other non cash items	165	0
Adjustments for non-cash items	26,891	48,031
Interest paid	-3,046	-3,466
Income taxes received	475	2,296
Cash flow from operating activities before changes in working capital	70,228	57,682
Cash flow from changes in working capital		
Trade receivables	-73,117	8,035
Inventories	30,530	-30,378
Trade payables	-25,299	14,462
Other changes in working capital	6,805	-34,334
Cash flow from operating activities	9,147	15,467
Investing activities		
Investments in intangible assets	-17,863	-13,971
Investment in tangible assets	-24,093	-19,037
Cash flow from investing activities	-41,956	-33,008
Financing activities		
New share issue	0	75,000
Costs for share issue	0	-4,035
Loan received	25,398	18,105
Repayments of loan	-5,978	-1,309
Movements on credit facilities	-1,747	-3,233
Repayments liabilities to shareholders	-10,231	0
Lease payments (IFRS 16)	-11,032	-11,549
Cash flow from financing activities	-3,589	72,979
Cash flow for the year	-36,398	55,438
Cash and cash equivalents at beginning of the year	108,489	52,372
Translation on liquid funds	372	680
Cash and cash equivalents at end of the year	72,463	108,489



Sensys
Gatso
Group

Accounting and valuation principles

Sensys Gatso Group applies International Financial Reporting Standards (IFRS) as endorsed by the EU, the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR1.

The Parent Company's annual report is prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's Recommendation RFR2 - Accounting for Legal Entities and the accounting policies adopted are consistent with those of the previous financial year as presented in the 2020 annual report.

All amounts are reported in thousands of Swedish kronor (TSEK), unless stated otherwise. The financial statements have been prepared on a historical cost basis, except for certain financial instruments that are valued at fair value. Assets and liabilities are valued at cost, unless stated otherwise below.

CONSOLIDATED ACCOUNTS

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred, and the equity issued by the Group.

Identifiable assets acquired, and liabilities and contingent liabilities assumed, in a business combination, are measured initially at their fair values at the acquisition date and are treated as assets and liabilities of the acquired entity.

Acquisition-related costs are expensed as incurred. Contingent considerations are recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognized in profit or loss. Intercompany transactions, balances and unrealized gains or losses on transactions between Group companies are eliminated. When necessary, amounts reported by subsidiaries are adjusted to conform to the Group's accounting principles.

Non-controlling interest in the financial results and equity of subsidiaries are shown separately in the Group Statement of Income and other comprehensive income, Group Statement of Changes in shareholders' equity and Group Balance Sheet respectively.

The Group recognizes non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Intercompany sales

Intercompany sales are eliminated in the consolidated accounts.

TRANSLATION OF FOREIGN CURRENCIES

Functional currency and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

The consolidated accounts are presented in SEK, which is the Parent Company's functional and presentation currency.

Transactions and balance sheet items

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction dates. Foreign exchange-rate differences attributable to operating activities are recognized in operating profit, while exchange-rate differences attributable to the Group's financing are recognized under financial income and expenses.

Subsidiaries

The results and financial position of all subsidiaries that have a functional currency different from the presentation currency are translated into the Group's presentation currency as follows:

- » assets and liabilities for each balance sheet are translated at the rate of exchange at the close of the financial period
- » income and expenses for each income statement are translated at the respective monthly average exchange rate, and
- » all resulting exchange-rate differences are recognized as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

REVENUE RECOGNITION

System Sales

The group earns the majority of its revenues from system sales. It predominantly manufactures and assembles those systems to specific orders, but also retains some finished systems for speculative sale. System sales comprises the manufacturing and assembly of enforcement systems consisting of hardware and embedded software. It mainly manufactures and assembles those enforcement systems to specific orders. System sales contracts can be combined with a service and maintenance contract, which is seen as a separate performance obligation. The Group has both individual contracts and procurement contracts with its customers. For procurement contracts, a contract with a customer is not deemed to arise until the customer places an order based on the terms of the agreement as this is when enforceable rights and obligations for the Group and the customer arise.

Revenue is recognised based on the characteristics of a contract. System Sales is typically delivered at a point in time, when control passes to the customer. The group recognises revenue at a point in time, typically on delivery of the systems to customers' premises or at the point of shipping. However, in a minority of contracts, typically for more bespoke orders, the group also recognises revenue as an order progresses through the manufacturing process, depending on milestones in a contract and performance obligations identified. The sale of systems are also referred to as One-off project sales. Revenues for embedded software development are recognised at a point in time when software has been delivered to the customer.

Pricing is dependent on the sales regions and the complexity of the enforcement solution that is required by our customers. Systems are typically sold with a 12 month warranty.

Invoicing is done based on contract specifics and can vary between pre invoicing and post invoicing or invoicing on certain milestones. The payment of invoices is typically between 30 and 60 days after invoice is issued.

A contract asset arises when the Group has satisfied the performance obligation, but still needs to invoice the customer (accrued income).

A contract liability arises when a customer makes prepayments (customer liability) or when the group has pre-invoiced (deferred income) before the performance obligation is satisfied.

Services (TRaaS)

Recurring service revenues are collectively referred to as Traffic Enforcement as a Service revenues (TRaaS). The group identifies the following TRaaS revenue streams:

- » TRaaS: Service & Maintenance
- » TRaaS: Managed Services
- » TRaaS: Licenses

TRaaS: Service & Maintenance

The Group's service organisation installs, commissions and maintains traffic enforcement systems and conducts services and provides support to our customers. The services and maintenance revenues are sold in conjunction with delivery of systems in contract over a longer period of time or ad hoc as service needs arise at our customers.

Revenues for service and maintenance contracts are recognised over a period of time depending on the length of the contracts on a straight line basis using the output model. Ad hoc services are recognized on an ongoing basis as the services are carried out.

TRaaS: Managed Services

The Managed Services department delivers technology, processes violations, issues citations, collects fines and delivers helpdesk support. Revenues are recognised over a period of time based on the contract duration. Typically the group has a performance obligation to deliver enforcement services. Revenues are recognised based on delivering the enforcement services and are mainly dependent on traffic volumes.

TRaaS: Licenses

Licence revenues relates to software licences fees. The performance obligation is to provide the software and maintain it over a period of time. The revenues are recorded over the contract period. Licences are on a right to access basis. Revenues of licences are based on a fixed amount per period or on a variable basis such as number of sensors or citation volumes.

Other operating income

Income from activities outside the Group's primary operations has been recognized as "other operating income".

Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

Dividend income

Income from dividends is recognized when the right to receive payment has been determined. No dividend has been allocated for 2021.

TRANSFER PRICING

The pricing of transactions, such as purchases and sales of goods and services between Group companies, takes place on the basis of market conditions.

Government Grants

The company recognises government grants in accordance with IAS 20. The company makes an assessment if COVID-19 relief qualifies as a grant under IAS 20.

Upon receipt of the grant, the grant is recorded as deferred income liability. A grant is recognised in the profit and loss only if the company has determined that it is probable that it will meet the conditions for forgiveness. The deferred income liability is derecognised on a systematic basis over the periods in which the group incurs the related expenses. The grant (COVID-19 relief) is accounted for in the profit and loss under Other operating costs.

If the company determines that it is not probable that it will meet the conditions for forgiveness or that it is uncertain if the grant will be forgiven, then the grant is recorded as a liability under short term borrowings.

EMPLOYEE BENEFITS

Pension commitments

Within the Group, there are only defined-contribution plans. A defined-contribution plan is a pension plan according to which the Group pays a fixed amount to a separate legal entity and, therewith, has no obligation to pay additional premiums. Costs for employees' service during current or previous periods impact the Group's earnings.

Retirement contribution obligations

Defined-contribution pension plans exist for all full time employees, for which the company pays ongoing established charges to a separate legal entity (such as an insurance company) and consequently does not have any legal or informal obligation to pay further charges. The company's costs for these are reported as a cost during the period when the employees concerned have performed the services related to such cost.

Share-based payments

Where equity settled share options are awarded to employees, the fair value of the options are charged to the consolidated statement of comprehensive income over the vesting period with a corresponding increase in equity as of the date of grant. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Employee options

The Company has established a long term incentive program for the CEO Ivo Mönning in 2017 and a long term incentive plan in 2021 for 50 key executives and employees (LTIP 2021). The fair value of the option granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- » Including any market performance conditions (the entity's share price)
- » Excluding the impact of any service and non-market performance vesting conditions (remaining an employee over a specified period of time)
- » Including the impact of non-vesting conditions (requirement to hold shares for a specific period of time)

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Severance pay

Severance pay is paid when an employee's employment has been terminated before the normal retirement age or when an employee accepts voluntary redundancy in exchange for such payment. The company recognises severance pay when it is demonstrably obliged to either terminate the employment of employees under a detailed formal plan with no possibility of withdrawal or to pay compensation upon termination as a result of an offer to encourage voluntary.

RESEARCH AND DEVELOPMENT

Development costs that are expected to generate probable future economic benefits and controlled by the Parent company are capitalized as intangible assets. All other research and development expenditure is recognized in the income statement as incurred. Development costs capitalized as intangible assets are valued as the total of direct costs plus reasonable amounts for indirect costs.

LEASES

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. Such an assessment is performed at the inception of a contract.

An identified lease agreement is further categorized by the group as a low-value asset (<TSEK 50), a short-term lease (<12 months) or a standard lease agreement (> 12 months). The group's definition of low-value assets comprises all assets of a value less than TSEK 50 when new. Short-term leases are defined as leases with a lease term of 12 months or less. Lease payments related to short-term leases and leases of low value assets are recognized as operating expenses on a straight-line basis over the term of the lease. A standard lease agreement is an agreement for which a right-of-use asset and a corresponding lease liability are recognized at commencement of the lease, i.e. when the assets are available for use. The group's right-of-use assets and its long-term and short-term lease liabilities are presented as separate line items in the consolidated balance sheet. Assets and liabilities arising from a lease are initially measured on a present value basis. The lease liability is determined as the present value of all future lease payments at the commencement date, discounted using the Group's calculated incremental borrowing rate determined by country and contract duration (>12-48 months, >48 months).

The following lease payments are included in the measurement of a lease liability:

- » fixed payments, less any lease incentives;
- » variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- » amounts expected to be payable under residual value guarantees;
- » the exercise price of a purchase option if reasonably certain to exercise that option, and
- » payments of penalties for terminating the lease, if the lease term reflects the exercise of that option.

Variable lease fees that do not depend on an index or rate (including property tax related to leased buildings) are

not included in the measurement of the lease liability. The related variable payments are charged to the consolidated income statement as incurred.

The lease liability is subsequently measured by reducing the carrying amount to reflect the lease payments made and by increasing the carrying amount to reflect interest on the lease liability, using the incremental borrowing rate, when the implicit interest rate is unknown. A right-of-use asset is measured at cost comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement day, less any lease incentives received, and any initial direct costs, and restoration costs with the corresponding obligation recognized and measured as a provision under IAS 37.

The right-of-use asset is subsequently measured at cost less accumulated depreciation, any impairment losses as well as any remeasurement of the lease liability. A remeasurement of the lease liability, and a corresponding applicable adjustment to the related right-of-use asset, is performed when:

- » the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- » the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

BORROWING COSTS

The Group capitalizes borrowing costs which are directly attributable to the purchase, construction or production of an asset, and where a considerable amount of time is required to prepare the asset for use or sale, as a portion of the asset's cost. Other borrowing costs are recognized as expenses in the period in which they arise.

INCOME TAXES

Reported income tax includes tax which is to be paid or received for the current year and adjustments pertaining to previous years' current taxes and changes in deferred tax. The measurement of all income tax liabilities and assets is performed at nominal amounts, applying the tax rates and provisions that have been enacted, or substantially enacted, and which are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. In the case of items recognized in profit or loss, related tax effects are also recognized in profit or loss. The tax effects of items that are recognized directly in shareholders' equity are also recognized directly in shareholders' equity. Deferred income tax is calculated using the balance-sheet method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. These temporary differences have primarily arisen through consolidation adjustments. Deferred tax assets pertaining to future tax deductions are recognized to the extent that it is probable that such deductions can be netted against surpluses in future taxation. Deferred tax liabilities pertaining to temporary differences attributable to investments in subsidiaries are

not recognized in the consolidated accounts as the Parent Company can, in all cases, control the date for a reversal of the temporary differences and it is not assessed as probable that a reversal will take place within the foreseeable future. The reporting of deferred tax is based on effective tax rates.

CASH FLOW STATEMENT AND CASH EQUIVALENTS

The cash flow statement has been prepared using the indirect method. The recognized cash flow includes only those transactions that have resulted in receipts or payments.

Cash and cash equivalents include cash and bank balances as well as short-term financial investments with maturities of less than three months. Cash and cash equivalents solely consist of cash and bank balances.

FINANCIAL GUARANTEES/FROZEN ASSETS

The Company's financial guarantees refer to guarantees for individual customer projects such as guarantees against advances, tenders, fulfilment and warranties. Under a financial guarantee, the Company undertakes to compensate the holder of the guarantee for any losses incurred by the same, due to the Company's failure to fulfil its contractual obligations.

INTANGIBLE FIXED ASSETS

Goodwill

Goodwill consists of the amount by which the consideration, any non-controlling interest and fair value at the acquisition dates of previous shareholdings exceeds the fair value of the Group's share of identifiable net assets acquired. Goodwill on the acquisition of subsidiaries is recognized as an intangible asset. Goodwill is tested annually to identify any need for impairment and is recognized at cost less accumulated impairment. The gain or loss on the sale of an entity includes the remaining carrying amount for goodwill pertaining to the entity sold. Goodwill is allocated to cash-generating units when testing for any impairment requirement. This allocation is made to the cash-generating units that are expected to benefit from the business combination giving rise to the goodwill item. The Group allocates goodwill to all lines of business.

Customer contracts and Customer relations

This item includes customer contracts that arose in connection with the acquisition of Gatso Beheer BV in 2015. These contacts are operated under the segment Managed Services, and focuses on large and smaller managed services contracts where the ownership of the equipment remains with Sensys Gatso, and recorded on the balance sheet under fixed assets in operation. The Group is responsible for the entire value chain; system operations, sending out fines and receiving payments on the behalf of our customers. Customer contracts normally run for 3-5 years with a considerable possibility of extension. Customer contracts are amortised over 2-7 years, depending on the length of the customer contracts.

Brands

This item mainly includes assets in the form of brands, which have arisen in conjunction with the acquisition of subsidiaries. These are valued at the fair value on the acquisition date and, thereafter, less amortisation and impairment. Brands are amortised over a period of 10 years.

Product and software development

The Group's technology is based on internally developed radar sensors, which is the core component of the Group's products. Costs closely associated with the development of technology which is controlled by Sensys Gatso Group and is likely to yield financial benefits are recognized as intangible assets. The related projects have been valued as the total of direct costs plus reasonable amounts for indirect costs. Development costs incurred in connection with product adaptations for an existing project are recognized in the income statement. Product and software development is amortized over 3-10 years.

Impairment of non-financial assets

Assets which have an indefinite useful life are not subject to amortization and, instead, are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In those cases in which the carrying amount exceeds the estimated recoverable amount, the carrying amount is immediately impaired down to the recoverable amount. The recoverable amount is the greater of an asset's fair value, less selling expenses and the asset's value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separate, identifiable cash flows (cash-generating units).

TANGIBLE FIXED ASSETS

All fixed assets (Leasehold improvement, Furniture's & fixtures and Fixed assets in operations) are measured at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent expenses are included in the asset's carrying amount, or recognised as a separate asset, as appropriate, only when it is likely that future economic benefits associated with the asset will occur to the Group, and when the asset's cost can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the period in which they arise.

DEPRECIATION AND AMORTISATION

Intangible assets and property, plant and equipment are amortised/depreciated on a straight-line basis over the length of their useful life as of the moment they are ready to be taken into use as follows:

- » Leasehold improvement 10 years
- » Furniture's & fixtures 2-5 years
- » Fixed assets in operations 3-7 years
- » Customer contracts 2-7 years
- » Brand 10 years
- » Product and software development 3-10 years

INVENTORIES

Inventories are reported using the first-in, first-out method at the lower of cost and net realizable value on the closing date. The valuation of work in progress and finished products includes design costs, direct labor costs and other direct costs with a reasonable mark-up for indirect costs (based on normal production capacity). This item excludes borrowing costs. Net realizable value is the estimated selling price in the ongoing course of business, less any applicable variable selling expenses.

FINANCIAL INSTRUMENTS

Financial assets at amortised cost

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Trade and other receivables principally arising from sales of goods and services to customers are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging. The expected loss rates are based on aging and historical and considered future credit losses, resulting in fully impairing receivables past due greater than 12 months. From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the consolidated statement of comprehensive income (operating profit).

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and - for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position. The company currently does not have financial assets at fair value through the profit and loss or through Other Comprehensive Income.

Financial liabilities at amortised cost

The Group's financial liabilities are measured at amortised cost and comprise of borrowings from credit institutions, liabilities to shareholders, trade payables and other short-term monetary liabilities in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Borrowings from credit institutions and liabilities to shareholders are initially recognised at fair value. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial

position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

The company currently does not have financial liabilities at fair value through the profit and loss or through Other Comprehensive Income.

SHAREHOLDERS' EQUITY

Transaction costs which are directly applicable to the issue of new shares or share options are recognized, net after tax, in shareholders' equity, as a deduction from the proceeds of the issue. In the case of a repurchase of shares, retained earnings are reduced by the amount paid for the shares. When treasury shares are sold, retained earnings increase by the amount received.

Earnings per share

Earnings per share are calculated as net profit/loss for the year in accordance with the income statement in relation to the average number of shares outstanding before and after dilution.

Dividends

Dividends to Sensys Gatso Group's shareholders are recognized as liabilities in the Group's annual accounts in the period in which the dividends were adopted by the Parent Company's shareholders.

PROVISIONS

Provisions for product warranties are based on current volumes of products sold still under warranty and on historical rates of warranty claims for mature products as well as estimates and assumptions regarding quality and future warranty claims for new estimates and estimated cost to remedy the various warranty claims that may occur. For information about warranty provision see note 19.

SIGNIFICANT ESTIMATES AND ASSUMPTIONS

The preparation of the annual accounts requires that qualified estimates and assessments be made for accounting purposes. Furthermore, company management exercises its judgement in the application of the Group's accounting policies. Estimates and assessments can affect the income statement and the balance sheet, as well as any additional information which has been reported in the annual accounts. Consequently, changes in valuations and assessments can lead to changes in the annual accounts.

Goodwill

The Group annually tests whether goodwill has suffered any impairment, in accordance with the accounting policy stated above. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 9).

Deferred tax assets

In previous years, Sensys Gatso Group has reported negative results and has consequently accumulated unutilized tax losses. The future utilization of these tax losses depends upon taxable profits. For further information, see note 11.

Inventory

Inventories are valued at the lower of cost and net realizable value. Estimates are required in relation to forecasted sales volumes and inventory balances. In situations where excess inventory balances are identified, estimates of net realizable values for the excess volumes are made.

RISKS AND UNCERTAINTIES

Significant risks and uncertainties faced by the company include commercial risks associated with customers and suppliers, as well as other external factors. Sensys Gatso Group's overall goal is as far as possible to avoid taking financial risks that may arise through changes in foreign currency rates, interest levels and market prices, as well as liquidity, financing and credit risks. A description of material financial and commercial risks faced by the company is given in note 25.

PARENT COMPANY'S ACCOUNTING POLICIES

The Parent Company's annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2. RFR 2 stipulates that, in its annual accounts, the Parent Company is to apply International Financial Reporting Standards (IFRS) as endorsed by the EU, where this is possible within the framework of the Swedish Annual Accounts Act, and with regard to the connection between accounting and taxation. RFR 2 specifies the exceptions and supplements to be applied in relation to IFRS. Identified differences between accounting policies of the Group and the Parent Company mainly refer to IAS 12 Income taxes.

Shares in subsidiaries

Shares in subsidiaries are recognized at acquisition cost less any impairment. The acquisition cost includes acquisition-related costs and any contingent consideration. When there is an indication that shares in subsidiaries have decreased in value, an estimate of the recoverable amount is made. If this amount is lower than the carrying amount, impairment is made. Impairment losses are recognized in the items "Income from participations in Group companies".

APPLICATION OF NEW OR AMENDED STANDARDS

New standards, amendments and interpretations applicable from January 1, 2021

There are no new IFRS standards that have been endorsed for application from 2021 and forward.

New IFRS standards that have not yet begun to be applied

New and amended IFRS standards that take effect in future financial years have not been early adopted and are not expected to have any significant effect on the consolidated financial statements.





GRAND CHEROKEE

Notes on the accounts, Group

All amounts are expressed in SEK '000 unless otherwise stated.

Note 1 Segment reporting and total sales

The Group reports in two business segments, Systems Sales and Managed Services. These two main segments are used for internal reporting and managing the different operations.

System Sales

The segment System Sales consists of project related and repeat sales of solutions including service and maintenance and license sales. The segment system sales has a good global spread with sales in Europe, Middle East and APAC. The business is generally highly volatile with a few large contracts and many smaller deals. Margins differentiate between size of a deal and the service delivered, with typically higher margins on repeat sales and service and maintenance and licences. Volatility in sales and the sales mix can have a significant impact on the segments profitability from one quarter to another.

In 2021, the Group had one customer in the segment System Sales whose share of the company's total net sales exceeded 10 percent.

In 2020, the Group had one customer in the segment System Sales whose share of the company's total net sales exceeded 10 percent.

Managed Service

The segment Managed Services focuses on Managed Services contracts where the company is responsible for the entire value chain; providing enforcement equipment (owned by the company), maintenance of the equipment, operating the enforcement program, evaluating and sending out citations and collecting payments on the behalf of our customers. The enforcement systems including the construction costs are recorded on the balance sheet under fixed assets in operations. This business segment has high capital expenditure upfront, with on average 3-5 year customer contracts, with considerable possibilities of extension after the initial contract period. Sales in this segments are predominantly from the Americas region. The Managed Services sales are dependent on the volume of citations, which can have some seasonality related to weather and holiday periods. Typically in the first year of operation of the contract the company incurs startup costs that are accounted for in the expenses as they occur. The segment Managed Services also include the costs related to software development and maintenance activities related to the segments sales.

	2021			2020		
	System Sales	Managed service	Total	System Sales	Managed service	Total
Total Net sales per business segment	387,428	130,287	517,715	340,505	124,158	464,663
Inter-segment transactions	-9,984	-942	-10,926	-7,977	-1,753	-9,730
Total Net Sales	377,444	129,345	506,789	332,528	122,405	454,933
EBITDA	56,451	27,051	83,502	39,284	20,154	59,438
Depreciation and amortization	-19,794	-17,800	-37,594	-20,339	-28,278	-48,617
Operating Profit	36,657	9,251	45,908	18,945	-8,124	10,821
Net financial items			1,401			-8,345
Profit before tax			47,309			2,476
Tax			-12,318			1,478
Profit for the period			34,991			3,954

Non-current assets (excluding financial instrument and deferred tax)

	2021	2020
Sweden	42,965	34,560
USA	113,640	98,073
The Netherlands	214,030	212,522
Australia	26,639	27,386
Germany	2,601	3,424
Total	399,874	375,965

Note 2 Salaries, other remuneration and social insurance contributions

Number of employees at year-end	2021			2020		
	Women	Men	Total	Women	Men	Total
Holland	11	82	93	10	78	88
Sweden and branch offices	4	30	34	4	31	35
Australia	8	39	47	10	33	43
Germany	1	3	4	1	3	4
USA	47	35	82	48	32	80
Parent Company	0	3	3	0	2	2
Total	24	192	263	73	179	252

Board members and group management, Group	2021			2020		
	Women	Men	Total	Women	Men	Total
Board Members	3	3	6	3	3	6
Group Management	-	4	4	-	4	4
Total	3	7	10	3	7	10

Employees Full-time equivalent			2021	2020
Holland			88	83
Sweden and branch offices			34	32
Australia			46	48
Germany			4	4
USA			66	62
Parent Company			2	1
Total			240	230

	Salaries and other remunerations		Social securities		Pension contributions		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Parent Company	6,211	4,368	721	335	390	0	7,322	4,703
Subsidiaries	153,218	147,203	19,096	17,369	11,610	11,171	183,924	175,743
Group	159,429	151,571	19,817	17,704	12,000	11,171	191,246	180,446

Remuneration of the Board of Directors, the CEO and other senior executives

Parent Company	Board Fee	
	2021	2020
Chairman of the Board, Claes Ödman	500	400
Board member, Kerstin Sjöstrand	250	200
Board member, Pia Hofstedt	250	200
Board member, Jochem Garritsen	250	200
Board member, Christina Hallin	250	200
Board member, Nishita Batra (from May 2020)	250	133
Total Remuneration Board of directors	1,750	1,333

Remuneration and other benefits for Group Management	Basic Salary		Variable Remuneration		Other benefits		Pension Expenses		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Managing Director and CEO, Ivo Mönnink	2,872	2,808	1,086	794	432	440	674	641	5,064	4,683
Other senior management (3 individuals)	4,935	5,207	1,663	832	375	174	1,459	292	8,432	6,504

VARIABLE REMUNERATION GROUP MANAGEMENT

Group management consists of the CEO and other Senior Management (CFO, CCO and CTO).

Variable remuneration for the CEO

The agreement for the CEO applies since 2017. The variable remuneration is based on net sales and EBITDA, and is subject to an upper limit of 50% annual salary. Remuneration of TSEK 794 (0) has been paid out during 2021. The variable remuneration for 2021 of TSEK 1,086 will be paid out in 2022.

The variable remuneration for other Senior Management is based on net sales and EBITDA, and is subject to an upper limit of 50% annual base salary.

Remuneration of TSEK 409 (0) has been paid out during 2021. The variable remuneration for 2021 of TSEK 1,033 will be paid out in 2022.

Share based payment CEO

The company has two share based payment programs.

The program of 2017-2020 was granted to the CEO, free of charge. The share options are subject to three year vesting (October 2017 - September 2020) that entitle to acquire not more than 6,000,000 shares in the Company. The exercise price of the share options is SEK 0.81. The maximum number of shares that may be issued pursuant to an exercise of options under the program is 7,980,000 shares (including exercise of warrants for hedging of social security costs), corresponding to a maximum dilution of approximately 0.7 percent. The share options are vested.

In 2021 the general meeting of shareholders approved the implementation of a long-term incentive program in the form of a stock-option plan for up to 50 key executives and employees ("LTIP 2021"). LTIP 2021 is a program that spans over three award years and under which the participants will be granted, free of charge, share-options that entitle the acquisition of up to 44.0 million shares in the Company subject to three-year vesting periods. As part of the implementation a total of up to 55.0 million shares (including 11 million shares acquired through warrants for the hedging of social security costs) may be issued.

In 2021 37.7 million share-options were granted to employees with an exercise price of SEK 1.28. The company wishes to promote share ownership but also to minimize dilution and therefore intends to "net settle" exercised options, i.e. the participating employee receives the value of the option gains in shares.

The value of the share-options have been calculated based on the Black and Scholes Model using a volatility based on the average deviation in the share price in 2021 up to the grant date. The used volatility in the model amounted to 37.5 percent. The total cost recorded in the result of 2021 amounted to SEK 2.2 million of which SEK 1.8 million has been recorded in equity and 0.4 million as a social security liability on the balance sheet. The CEO has been awarded 5,500,000 share options and other Senior Management have been awarded 2,750,000 share options each.

VARIABLE REMUNERATION IN SUBSIDIARIES

Other group executives

The other group executives are employed or contracted in the subsidiaries.

Variable remuneration for other group executives and management

The agreement for the senior executives and management team applies since 2017. The variable remuneration is based on regional performance and group performance. The remuneration is subject to an upper limit of 6 months salaries. There are separate agreements for variable remuneration in the different subsidiaries.

Note 3 Total sales

Net sales by region			2021	2020
Europe			145,008	153,032
America			126,067	119,044
Middle East and APAC			235,714	182,857
Total			506,789	454,933
Net sales by country			2021	2020
Sweden			44,358	45,682
Netherlands			28,826	52,907
Rest of Europe			71,824	54,443
Total Europe			145,008	153,032
USA			125,478	118,819
Rest of Americas			589	225
Total Americas			126,067	119,044
Saudi Arabia			106,484	38,634
Australia			93,620	114,160
Rest of Middle East and APAC			35,610	30,063
Total Middle East and APAC			235,714	182,857
Nature of sales			2021	2020
One-off			259,196	237,743
TRaaS Recurring			247,593	217,190
Total			506,789	454,933
Nature of services	Nature of sales	Segment	2021	2020
System sales	One-off	System sales	259,196	237,743
Service and maintenance	TRaaS Recurring	System sales	113,044	91,162
Licences	TRaaS Recurring	System sales	5,206	3,623
Managed services	TRaaS Recurring	Managed services	129,343	122,405
Total			506,789	454,933
Revenue recognition	Nature of services		2021	2020
At a point in time	System sales		259,196	237,743
Overtime	Service and maintenance		113,044	91,162
	Licences		5,206	3,623
	Managed services		129,343	122,405
Total			506,789	454,933

TRaaS (TRaaS Traffic enforcement as a Service) is recurring sales within segment System Sales and Managed Services. Management tracks on the performance of TRaaS related sales and reports on the development of TRaaS sales in the quarterly reports to the stock market.

Revenue is recognised based on the characteristics of a contract. System Sales is typically delivered at a point in time, when control passes to the customer.

Revenue recognition overtime relates to contracts where our customers simultaneously receives and consumes the services provided such as Service and Maintenance which is part of a Service Level Agreement, Licences and Managed Services.

	Contract Assets		Contract liabilities	
	2021	2020	2021	2020
At 1 January	29,288	18,243	-12,605	-20,116
Transfers in the period from contract assets to trade receivables	-29,288	-18,243	-	-
Amounts included in contract liabilities that was recognised as revenue during the period	-	-	10,032	11,225
Accrued income	31,131	29,288	-	-
Deferred income	-	-	-4,174	-3,714
Cash received in advance of performance and not recognised as revenue during the period	-	-	-2,228	-
At 31 December	31,131	29,288	-8,975	-12,605

Contract assets consist of accrued income and contract liabilities out of prepayments from customers and deferred income. Contract assets are written off where there is no reasonable expectation of recovery. No write offs have been taken in 2021 (0)

We expect that the majority of the contract liabilities will be recognized as revenue in less than one year after balance sheet date.

Note 4 Expenses by nature of expense

	2021	2020
Cost for products and goods	189,144	179,624
Depreciation and amortisation	37,595	48,617
Employee benefits and expenses	191,246	180,446
Other employee expenses	9,700	8,177
Housing expenses	4,887	6,168
Office expenses	9,211	9,348
Sales expenses	7,798	3,094
Car expenses	1,865	2,188
Development expenses	2,620	809
General expenses	28,527	18,867
Financial items	-1,549	4,375
Total	481,044	461,713
COVID-19 relief	-4,316	-4,569
Capitalized Employee expenses as intangible fixed asset	-15,847	-13,032
Total expenses	460,881	444,112

The COVID-19 relief received in 2020 from the US government (Payment Protection Program) to the amount of 4.3 million was recorded on the balance sheet as a loan. In 2021, forgiveness on this loan is granted and a gain is accounted for in the profit & loss accounts.

Sensys Gatso has the policy to capitalize development expenses when the development has expected future positive cash flows. Research costs are taken into the profit and loss directly when they occur, customization development expenses for customers are accounted for in the cost of systems sold, matched to sales. Employee expenses related to the development of our software platform amounted to SEK 15.8 million (13.0) which have been capitalised as Product and Software development on the balance sheet.

Note 5 Taxes

Corporate income tax	2021	2020
Current tax	-8,141	-324
Deferred tax	-4,177	1,802
Total	-12,318	1,478
<i>Difference between tax expense and tax expense based on applicable tax rate</i>		
Recognised profit/loss before tax	47,309	2,476
Tax at applicable rate	-11,827	-619
-in %	25.00%	25.00%
Permanent differences and tax previous years	3,430	295
Movement of deferred taxes	-3,921	1,802
Revaluation of DTA due to changes in tax rates	0	0
Tax on profit/loss for the year in accordance with income statement	-12,318	1,478
Effective tax in %	-26.04%	59.70%

Sensys Gatso Group is a global company with local companies established in various tax jurisdictions. The applicable tax rates vary between 19% and 30% depending on the jurisdiction. The company has tax losses in various jurisdictions which have (to some extent) been accounted for as a deferred tax assets. We refer to note 11 Deferred Taxes for further disclosure on taxes.

Note 6 Depreciation/amortisation

Amortisation of intangible assets was SEK 18.0 (26.3) million and depreciation of property, plant and equipment totalled SEK 20.4 (16.6) million. The depreciation of the right of use assets amounted to SEK 10.2 (10.1) million. During 2020 no impairment was taken (0). Depreciation, amortisation and impairment are specified per function in the income statement as follows:

	Cost of sales		Selling costs		Administrative costs		Development costs		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Customer contracts	0	0	843	9,143	0	0	0	0	843	9,143
Brand	0	0	2,194	2,268	0	0	0	0	2,194	2,268
Other intangible assets	0	0	0	0	0	0	6,469	6,636	6,469	6,636
Improvement expenses leasehold	63	305	28	155	20	64	12	149	123	672
Furniture, Fixtures, Fittings and vehicles	2,375	1,971	1,069	890	348	301	357	401	4,149	3,564
Fixed Assets in operation	13,833	16,159	0	0	0	0	0	0	13,833	16,159
Right of use assets	5,036	5,192	2,347	2,631	1,433	1,149	1,168	1,200	9,984	10,172
Total Depreciation and Amortisation	21,307	23,627	6,481	15,086	1,801	1,513	8,005	8,387	37,595	48,614

Note 7 Leasing

The group leases premises, vehicles and copiers. The latter two are defined as "others". Lease agreements included in the lease liability have a remaining term greater than 12 months.

Right of use assets	Premises		Others		Total	
	2021	2020	2021	2020	2021	2020
Opening value	23,227	27,629	3,918	5,105	27,146	32,735
Additions	1,816	3,554	1,232	1,420	3,048	4,974
Depreciation	-7,795	-7,933	-2,189	-2,240	-9,984	-10,173
Modification of lease terms	231	269	-47	-100	184	169
Translation effects	938	-292	312	-267	1,249	-559
Closing value	18,417	23,227	3,225	3,918	21,643	27,146
Lease liability	Premises		Others		Total	
	2021	2020	2021	2020	2021	2020
Opening value	23,959	28,267	4,418	5,182	28,377	33,449
Additions	1,820	3,554	1,227	1,420	3,048	4,974
Interest expense	875	1,157	184	209	1,059	1,366
Modification of lease terms	-43	355	137	-104	95	251
Lease payments	-8,466	-9,045	-2,566	-2,019	-11,032	-11,064
Translation effects	1,246	-330	151	-271	1,396	-601
Closing value	19,392	23,958	3,551	4,418	22,943	28,377

Note 8 Profit/loss from financial activities

	2021	2020
Interest and similar profit/loss items		
Interest income on bank deposits	0	0
Exchange rate gains on bank deposits or other loans	6,410	1,405
Other financial income	15	0
Total financial income	6,425	1,405
Interest expense on financial liabilities		
Interest expense on loans	3,548	3,625
Exchange rate losses on bank deposits or other loans	272	4,760
Other financial expenses	145	0
Interest lease liability	1,059	1,366
Total financial costs	5,025	9,751
Profit/Loss from financial investments	1,400	-8,346

Note 9 Intangible fixed assets

Consolidated Intangible fixed assets	Goodwill		Customer contracts/ Customer relations		Brand		Product & software development		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Opening accumulated acquisition value	242,145	257,164	87,751	97,715	21,542	22,814	90,990	79,528	442,428	457,221
Internal development							17,863	13,971	17,863	13,971
Translation effects	8,982	-15,019	7,027	-9,964	833	-1,272	1,383	-2,509	18,224	-28,764
Closing accumulated acquisition value	251,127	242,145	94,778	87,751	22,375	21,542	110,236	90,990	478,515	442,428
Opening accumulated amortisation	0	0	-86,439	-87,362	-11,685	-10,076	-54,848	-50,032	-152,973	-147,470
Amortisation for the period	0	0	-843	-9,143	-2,194	-2,269	-6,469	-6,636	-9,506	-18,047
Translation effect	0	0	-6,979	10,066	-467	660	-990	1,820	-8,435	12,546
Closing accumulated amortisation	0	0	-94,261	-86,439	-14,346	-11,685	-62,307	-54,848	-170,914	-152,971
Opening accumulated impairment	0	0	0	0	0	0	0	0	0	0
Closing accumulated impairment	0	0	0	0	0	0	0	0	0	0
Translation effects	0	0	-16	-15	-18	0	94	87	60	72
Carrying amount	251,127	242,145	501	1,297	8,011	9,857	48,023	36,229	307,662	289,529

Goodwill

Goodwill is not subject to amortisation but is tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be subject to impairment. Sensys Gatso has tested the goodwill for impairment in the fourth quarter of 2021. When assessing our business it is important to note that we have long sales cycles and long standing relationships with our customers.

For the purpose of assessing impairment, goodwill is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group performed a test for each cash generating unit (CGU), to assess whether any need for impairment exists for goodwill in line with the applied accounting policies. The Group reports in two business segments, System Sales and Managed Service. These segments represent the cash generating units. The recoverable amount for each CGU is determined by value-in-use calculations, which comprise the present value of estimated future cash flows expected to arise from the CGU, including capital expenditures and investment in working capital, to arrive at free cash flow forecasts for each unit. The model includes the latest forecast for 2021 at the time of testing in December 2021 as a reference and uses the five year business plan for each unit, approved by the board of directors, as a starting point. The budgets and forecasts were built-up from the entities in collaboration between entity General Managers and Group Management. The future cash flows per CGU are calculated based on the five year the business plans of the entities belonging to that CGU. Cash flows beyond the five-year period are extrapolated based on the long-term growth, estimated at 2%, in line with the inflation rate. The discount rate after tax which has been applied to calculate the present value of the future cash flows is approximately 9.4% (9.4) for both System Sales and Managed Services. The input used to calculate the discount rate for the two segments varies slightly. However, due to different tax percentages used in different countries, the net effect results in a similar discount rate for both segments.

The company analyses past forecasts to actual outcomes. Timing of revenue is typically the main factor of deviation. The timing of revenue can have an impact from quarter to quarter and from year to year. However, over the forecasted period of five years this has a lower impact on the forecasted numbers. The company forecasts revenues based on opportunities and order backlog with a high level of confidence, based on a bottom-up analysis from the individual entities. This applies to both System Sales and Managed Services. For 2021 the company has made this analysis and has concluded that there has been no impact on the five year businessplan that forms the basis of the impairment test.

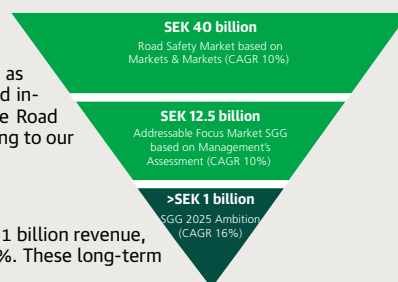
SIGNIFICANT ASSUMPTIONS

Market share and growth

The forecasts are based on the company history and previous management experience, as well as external sources like the "MarketsandMarkets" report on Road safety market, press releases and investor presentations from competition. The growth estimated by "MarketsandMarkets" for the Road Safety Market overall amounts to approximately 10%. The part of the Road Safety Market relating to our segment Managed Services, is projected to grow approximately 13%.

Sensys Gatso Group

Sensys Gatso as a group has communicated its long-term financial ambition for 2025, set at SEK 1 billion revenue, of which SEK 600 million in TRaaS recurring revenue, with an EBITDA ambition greater than 15%. These long-term financial metrics are the base for the impairment testing of the segment's goodwill.



System Sales

The revenue in the segment System Sales is volatile during the quarters and over years. The budget and forecast under the business plan has been built-up from the individual entities and the opportunities that Sensys Gatso sees for the next coming years. The revenue in this segment, including the recurring revenue for services, is projected to grow by approximately 15% per year. The EBITDA is expected to improve over the projected years as a result of the effects of expected further integration of the company's product and solution offerings. The employee expenses and other operating costs are expected to grow with less than 50% of projected annual sales growth. The projection of employee expenses and other operating costs have been made by entity and by department based on the identified sales opportunities.

Managed Services

Managed Services is a market of growth for the Sensys Gatso Group and management foresees a significant growth with more than doubled revenue in the coming five years' time. The estimation of EBITDA and operating cash flow in this CGU will be in line with the growth of revenue. This business segment has a highly flexible organisation, employees being part time processors and operators. With growth of revenue, the direct costs of processing and operating is forecasted to increase. The current organisation of fixed employees is deemed to be sufficient to support the projected growth.

Exchange rates

The results of the Sensys Gatso Group are influenced by exchange rate fluctuations. As set out in note 25 of this report, the largest exposure to changes in currency is with EUR/SEK and USD/SEK exchange rate. The exchange rates used for these main currencies in the forecast are EUR 10.15 and USD 9.0.

Sensitivity analysis

Management has performed a sensitivity analysis per segment on an increased investment of 1%, an adjustment of EBITDA of -2%, an adjustment in long-term growth of -2% and an adjustment of the WACC of 2%. The sensitivity analyses performed are based on a change in an assumption or a combination of two assumptions while holding the other assumptions constant. The recoverable amount exceeds the carrying amount of goodwill. The overall outcome of the sensitivity analysis for both segments does not give any sign of impairment.

Goodwill is distributed among the Group's cash-generating units (CGUs) and identified as follows (TSEK):

Group	2021	2020
System Sales	167,537	164,190
Managed Services	83,590	77,954
Total	251,127	242,145

The movement in goodwill valuation in both segments relates to currency effects. No impairments were taken in 2021 (0).

PRODUCT & SOFTWARE DEVELOPMENT

In 2019 Sensys Gatso has started to develop the new enforcement platform called FLUX. This enforcement platform (over time) will replace the existing platforms (S and T-Series). Investments in development are pre-approved by the board of directors in the annual budget process and accountability is given on an annual basis. As the FLUX platform is in development, amortisation has not commenced. The remaining bookvalue of Product & Software development is as follows:

Development item	Bookvalue MSEK	Bookvalue MSEK
	2021	2021
Flux platform	26.0	17.0
T-Series platform	8.8	10.5
Software Xilium/Puls	6.0	0.8
Other	7.2	7.9
Total	48.0	36.2

Note 10 Property, plant and equipment

Tangible fixed assets	Leasehold improvement		Furnitures, fixtures, etc		Fixed Assets in operation		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening accumulated acquisition value	19,259	19,871	34,355	32,616	160,664	171,675	214,278	224,161
Acquisitions	46	131	3,426	3,422	20,621	15,484	24,093	19,037
Disposals	0	0	-88	0	-2,742	-4,266	-2,830	-4,266
Translation effects	412	-743	1,579	-1,683	17,053	-22,228	19,044	-24,654
Closing accumulated acquisition value	19,717	19,259	39,271	34,355	195,596	160,664	254,584	214,278
Opening accumulated depreciation	-16,710	-16,686	-25,492	-23,278	-109,482	-111,786	-151,683	-151,751
Disposals / Other movements	0	-101	443	270	1,687	-1,027	2,130	-858
Depreciation for the period	-306	-673	-3,966	-3,563	-13,833	-15,487	-18,105	-19,723
Translation effects	-329	750	-1,074	1,079	-11,650	18,819	-13,052	20,648
Closing accumulated depreciation	-17,345	-16,710	-30,089	-25,492	-133,277	-109,482	-180,711	-151,683
Opening accumulated impairment	0	0	0	0	-3,298	-3,778	-3,298	-3,778
Translation effects	0	0	0	0	0	480	0	480
Closing accumulated impairment	0	0	0	0	-3,298	-3,298	-3,298	-3,298
Translation effects	-6	-6					-6	-6
Carrying amount	2,366	2,543	9,182	8,863	59,021	47,885	70,570	59,291

Note 11 Deferred taxes

Deferred tax recoverable	2021	2020
Opening deferred tax recoverable	39,982	45,315
Utilization of deferred tax	-5,654	-3,039
Additions	256	0
Translation effects	1,655	-2,294
Closing deferred tax assets	36,238	39,982

The deferred tax assets can be specified as follows:	2021	2020
Other	774	489
Inventory	2,590	2,590
Loss carried forward	32,873	36,904
Total deferred tax assets	36,238	39,982

Deferred tax liabilities	2021	2020
Opening deferred tax liability	4,703	9,753
Release relating to depreciation on intangible fixed assets	-1,477	-4,841
Translation effects	153	-209
Closing deferred tax liabilities	3,379	4,703

Deferred taxes

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available, against which the temporary differences can be utilised.

In cases where the company has reported losses in recent years, deferred tax recoverable relating to previous losses is only recognised to the extent that there are compelling circumstances indicating that it will be used to offset future taxable profits.

Within the Group there is an extensive budget and forecast process in order to verify the value of the deferred tax assets. Budgets and forecasts are built-up from the entities in collaboration between entity General Managers and Group Management. Furthermore, there are also verifiable circumstances in the form of the current order backlog and agreements with customers as underlying information to the budget and forecast process. These budgeted and forecasted numbers of future sales and profit are matched towards the tax assets in order to measure the number of profitable years needed for utilisation of the total value of the tax assets.

As per December 2021, the Parent company Sensys Gatso Group AB had a total estimated unutilised tax losses of TSEK 143.1 (150.1). Approximately SEK 78.2 (86.0) million has been accounted for in the deferred tax asset to the amount of SEK 16.1 (17.7) million. Based on continued future expected profits in Sensys Gatso Group AB arising from group recharges, intercompany financing activities, future royalties for products and brands the company is expected to be profitable in future. Furthermore, management expects Sensys Gatso Sweden AB to continue contributing to the future profits by entries into new markets and a broader product range that can be offered to existing customer relations. Management has made the assessment that the tax losses accounted for in the deferred tax asset will be utilised in the future.

In Sensys Gatso Sweden AB there is a deferred tax asset recorded in relation to inventory that has not been taken as a tax loss. The total amount of utilizable deferred tax amounts to SEK 12.0 million (12.6).

In the US Sensys Gatso has recognised deferred tax assets for operating losses which can be utilised with future profits. The total unutilised tax losses amount to SEK 47.2 million (52.3), corresponding to USD 5.2 million (6.7). Based on the current estimated tax profits the company expects to utilise the total tax losses before expiration. The tax losses are recognised in a deferred tax asset to the amount of SEK 10.2 (12.9) million.

Furthermore a deferred tax assets of SEK 7.3 million (6.7) is recognised relating to Sensys Gatso Australia Pty Ltd for temporary differences and losses carried forward to the amount of SEK 24.3 million (22.3). Based on Management's assessment we see future profits to offset the losses carried forward.

Note 12 Inventories

Inventories relates to finished products and goods for resale. The movement in inventory is the balance of incoming and outgoing inventory for the year. The provision for obsolete inventory is based on estimates regarding the use of stock in future.

	2021	2020
Opening acquisition value	150,590	110,863
Net changes in inventory	-38,164	43,655
Translation effects	2,605	-3,929
Closing acquisition value	115,031	150,590
Change in provision for obsolete inventory	2021	2020
Opening provision	-21,838	-24,312
Movement	4,844	2,090
Translation effects	-1,250	384
Closing provision	-18,244	-21,838
Carrying amount	96,787	127,318

Note 13 Trade receivables

Trade receivables	Trade receivables		Total	Trade receivables		Total
	2021	Impaired 2021		2020	Impaired 2020	
Current	103,239		103,239	24,146		24,146
1-30 days	8,126	0	8,126	6,469		6,469
31-180 days	29,239	-1,166	28,072	33,787	0	33,787
> 180 days	9,871	-8,027	1,844	11,168	-7,428	3,740
Trade receivable- net	150,475	-9,194	141,281	75,570	-7,428	68,142

	2021	2020
Change in provision for doubtful trade receivables		
Balance as of January 1	7,428	8,465
Additions charged to expense	1,501	0
Deduction from allowance 1)	-192	-1,047
Translation differences	457	10
Balance as of December 31	9,194	7,428

1) Write-offs for which an allowance was previously provided.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. Payment terms vary from 30 to 180 days average. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging. The expected loss rates are based on aging and historical credit losses. As Sensys Gatso's customers are governments or partners dealing with governments, we assess the risk of non-payment on receivables until 12 months to be low and not significant. Receivables are derecognised and recorded as confirmed loss after all efforts that have been taken to collect on the receivable have not resulted in payments.

Note 14 Prepaid expenses and accrued income

	2021	2020
Prepaid expenses and accrued income		
Deposits (property and other)	1,698	2,339
Accrued income	31,131	29,288
Other items	8,519	11,507
Total	41,348	43,134

Note 15 Bank overdraft facilities and other borrowing

The Group's interest-bearing borrowings	2021	2020
Due dates for long-term loans:		
Within one year	49,637	52,895
Between one and five years	43,746	37,029
Total	93,383	89,924
Short-term borrowings (shareholder), EUR	8,527	10,038
Short-term borrowings (banks), USD	-	-
Short-term borrowings (banks), EUR	41,110	42,857
Total	49,637	52,895
Long-term borrowings (banks), EUR	23,292	8,783
Long-term borrowings (shareholder), EUR	20,454	28,246
Total	43,746	37,029

The average interest on the Vendor loan has been TSEK 44.0 (44.0).

To facilitate further growth, Sensys Gatso and Rabobank have agreed, in 2020, to extend the current total facilities granted by the Rabobank with additional EUR 5 million. The facility increase will be provided to Sensys Gatso upon request, and is conditional upon meeting agreed covenants, with steps of EUR 1.25 million each 6 months. During 2020 the first EUR 1.25 million additional funding has become available. In 2021 an additional EUR 2.5 million funding is provided. The loan has a redemption period of 5 years. The short term part of the loan has been presented as a short term obligation under short-term borrowings on the balance sheet.

Note 16 Financial instruments

Financial assets at amortised costs	2021	2020
<i>Assets as per balance sheet</i>		
Trade receivables	141,282	68,142
Accrued income	31,131	29,288
Cash and bank balances	72,463	108,489
Total	244,876	205,919

Other financial liabilities at amortised costs	2021	2020
<i>Liabilities as per balance sheet:</i>		
Borrowings	41,110	42,857
Liabilities to shareholders	28,981	38,284
Lease liability	22,943	28,377
Trade payables	37,118	62,417
Total	130,152	171,935

There are no financial assets valued at fair value which have been adjusted through the profit and loss account.

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

Note 17 Financial activities

	2020	Cashflow	Liabilities to shareholders	IFRS 16 leasing	Non-cash movements:	Foreign exchange and present value change	2021
Long term borrowing	56,072	14,509	-8,527	-4,796	735		57,993
Short-term borrowing	62,229	-1,747		-638	-1,511		58,333
Share and other contributed capital	546,816	0					546,816
Closing liabilities to shareholders	665,117	12,762	-8,527	-5,434	-776		663,142

Note 18 Transactions with shareholders

Related parties to Sensys Gatso Group are mainly its key management and shareholders that also have a function within the company.

Shareholders

The related party transactions with shareholders have two dimensions being the transaction with the shareholder for loans and rental costs on one side and on the other side transactions for management functions (directors). The disclosed transactions with shareholders relate to shareholder Gatso Special Products BV and its shareholders that perform managerial functions (directors) within our company.

In 2015 the company has acquired Gatso Beheer BV. The former owners of Gatso Beheer BV (Gatso Special Products BV) have provided the company with a vendor loan to the amount of MEUR 6.84. The remaining part of the vendor loan at the end of 2021 amounts to TSEK 8,527.

Key management personnel

The total compensation of key management personnel is disclosed in Note 2.

Liabilities to shareholders	2021	2020
Non-current subordinated loan	20,454	20,075
Non-current liabilities vendor loan	0	8,171
Current liabilities vendor loan	8,527	10,038
Closing liabilities to shareholders	28,981	38,284
Non-current liabilities to shareholders	2021	2020
Opening liabilities	28,246	39,387
To current liabilities to shareholders	-8,527	-10,038
Currency/net present value adjustments	735	-1,103
Non-current liabilities	20,454	28,246
Current liabilities to shareholders	2021	2020
Opening liabilities	10,038	10,449
Current part of promissory note	8,527	10,038
Repayment	-10,038	-
Off-set vendor loan in New share issue	0	-10,449
Current liabilities	8,527	10,038

Vendor loan

As part of the new share issue in 2017 a part of the vendor loan installment of 31 July 2018 was converted into shares. In 2018 the remaining part of the first installment was converted into 15,110,738 shares. In 2019 Sensys Gatso has repaid the vendor loan installment due, to the amount of EUR 1 million. In 2020 EUR 1 million was converted into shares. In 2021 Sensys Gatso has repaid the vendor loan installment due, to the amount of EUR 1 million. The remaining part of the vendor loan amounts to TSEK 8,527.

The table below shows the remaining installments for according to the vendor loan agreement.

Vendor loan (nominal value) installments (KEUR)	Repayment		Balance
	2020	2021	2021
31/07/2021	1,000	-1,000	0
31/07/2022	840		840
Total	1,840	-1,000	840

Related party transactions	Shareholders	Directors
Rental costs premises	1,751	-
Interest costs loans	1,217	-
Management fee	-	2,363
Repayment vendor loan	10,038	

Related party positions	Shareholders	Directors
Loans	28,981	-
Management fee		423

Note 19 Provisions

Other provisions	2021	2020
Provision for product warranty	3,271	3,901
Other provisions	778	833
Non current provision	4,049	4,734
Provision for product warranty	6,774	5,292
Other provisions	1,616	1,586
Current provision	8,390	6,878
Total other provisions	12,439	11,611
Provision for product warranty	2021	2020
Opening product warranty 0-360 days	5,292	5,381
Opening product warranty provision > 360 days	3,901	3,991
Opening product warranty provision	9,192	9,372
Buildup and release of product warranty provision during the year	3,457	1,713
Used product warranty during the year	-2,684	-1,663
Movements during the year	773	50
Translation effects	81	-230
Closing product warranty provision 0-360 days	6,774	5,292
Closing product warranty provision > 360 days	3,271	3,901
Closing product warranty provision	10,046	9,192

The company accounts for product warranty provisions on delivered products based on contractual agreements. If warranty claims would increase by 10% in relation to the estimate, the cost for warranty claims would increase by TSEK 1005 (919) in 2021.

Note 20 Accrued expenses and deferred income

Accrued expenses and accrued income	2021	2020
Accrued salaries	14,663	10,750
Holiday pay liability	15,628	13,561
Social charges	3,307	2,554
Deferred income	4,174	3,714
Other	13,400	13,128
Total	51,172	43,709

Note 21 Audit fees and reimbursement of related costs

	2021	2020
<i>BDO</i>		
Audit assignment	2,441	2,219
Audit advisory	0	0
Tax consulting	490	458
Other assignments	404	536
Total	3,335	3,213

Note 22 Pledged assets and contingent liabilities

Pledged assets	2021	2020
Guarantees, customer authorities	20,885	17,556
<i>Pledged assets</i>		
Tangible fixed assets	70,571	59,291
Inventory	96,787	127,318
Receivables	141,282	68,142
Total pledged contingent liabilities	392,525	272,307

On behalf of clients, besides the guarantees, the Parent company has provided Parent Company Guarantees that state that the Parent company or any other subsidiary will take over responsibility for projects if the undertaking subsidiary does not deliver. The total amount of Parent Company Guarantees amount to SEK 172 (315) million.

Credit and loan facility

The company has access to a credit facility to the amount of EUR 8.18 million that can also be used for customer guarantees. Additionally the company has access to a loan credit facility to the amount of EUR 5.0 million of which EUR 3.75 million has been taken up at the end of 2021. The remainder of the loan credit facility is dependent on meeting bank covenants.

Pledges and securities

Pledge on present and future receivables arising from trade and business, stock and inventory including machinery and transport vehicles of Sensys Gatso Group BV, FDFJ BV, Gatso Australia Pty Ltd, Sensys Gatso Managed Services BV, Gatso USA Inc., Gatsometer BV and Gatsometer Europa BV. Pledge on claims arising from credit insurances of Sensys Gatso Group BV, FDFJ BV, Gatso Australia Pty Ltd, Sensys Gatso Managed Services BV, Gatso USA Inc., Gatsometer BV and Gatsometer Europa BV. The company Sensys Gatso Group BV is jointly liable for the credit and guarantee facilities provided by Rabobank together with her subsidiaries Sensys Gatso Netherlands BV and Sensys Gatso Managed Services BV. The company has a Debt Service Coverage Ratio and a Solvency ratio agreement with the bank which have to be met each financial year under the agreement of the bank facilities. Subordination of loan Gatso Special Products BV in Sensys Gatso Group BV with a minimum of € 2.0 million to Rabobank.

Floating charge

Sensys Gatso Sweden AB has a floating charge of SEK 30 million with the Skandinaviska Enskilda Banken AB (SEB).

Note 23 Other

COVID-19 impact on financial result

During the year 2021 Sensys Gatso has encountered COVID-19 restrictions in various parts of our company and in the world. COVID-19 for Sensys Gatso has been mainly impactfull for our employees and their families. As a global company Sensys Gatso had to manage various COVID-19 regulations in the different countries we have offices and employees. In general we have been resilient to the impact of COVID and have made our outmost efforts to keep supporting our customers. At the same time we focussed on taking care of the personal wellbeing of our employees. This has resulted in a minimum impact of COVID-19 on our business during 2021, despite lower traffic volumes, from time to time, in the US market.

The COVID financial relief support by local governments have been accounted for in the year 2020 when they were received. The support from the US government through a loan under the Paycheck Protection Program has been recorded as a benefit in 2021, resulting in a one time result of SEK 4.3 million.

As the restrictive measures of governments due to COVID-19 ease, we can see traffic returning to pre-COVID levels. The increase in traffic could result in temporary increase in violations and therefore an increased need for traffic safety measures, such as Automated Traffic Enforcement.

Climate

As described in our Sustainability report Sensys Gatso aims to reduce its impact on the environment by reducing the use of electricity and gas. For several years we have tracked our consumption which has resulted in a more awareness throughout the company. As a result of COVID-19 we introduced remote working reducing both daily commute to our offices as well as international travel. The company was able to operate with limited impact in doing so. Going forward the company's policy will remain in a hybrid model, combining working from the office and from home, where possible.

Note 24 Events after the balance sheet date

Significant events after the end of the reporting period;

- » 18 Jan - Sensys Gatso has won a five-year TRaaS contract from Pelham Manor, New York worth SEK 7.9 million
- » 19 Jan - Sensys Gatso USA has won a five-year TRaaS contract from Gates Mills, Ohio worth SEK 9.2 million
- » 2 Feb - Sensys Gatso USA has won a five-year TRaaS contract from Oelwein, Iowa worth SEK 9.3 million
- » 4 March - Sensys Gatso has received a purchase order for red-light and speed enforcement in Belgium worth SEK 6 million
- » 18 March - Sensys Gatso has been selected as vendor to a procurement contract in the Netherlands, with an estimated revenue of SEK 250 million

Sensys Gatso is deeply concerned and saddened by the war in Ukraine and the devastating impact on the people of the country. On a macro economic level the war, as the COVID-19 pandemic, has an impact on inflation. The prices of oil and gas have been impacted significantly, which has led to increased cost in transport and cost for manufacturing in general. Sensys Gatso is not significantly impacted by increases in gas prices and has price agreements in place with suppliers. In 2021 we have also increased our Inventory levels to secure sales in 2022. Increased oil prices have an impact on transport cost, which could have an impact on the margins of sales mainly outside of Europe. At this point in time it is not possible to make a further assessment on the impact and to which extent this could possibly affect the business.

Note 25 Risks

Risk management is part of all business operations, and its purpose is to identify, assess, manage and report significant risks. During 2018 the board approved the Risk Policy and the Financial Policy which was implemented during the year. The Group's risk management covers risks associated with individual projects, operational risks and risk of failing to comply with laws and regulations, such as the risks involved in financial reporting. Market risks include the effects of economic conditions, trends, customer development, supplier dependence, political decisions and competition. Risks also include technological risk and production disturbances as well as the capacity to attract and retain key individuals. Financial risks include existing financing, options for future financing and currency- and interest risks. Legal risks consist of legislation, regulations, insurance, public authorities and supervisory bodies, as well as disputes and claims for damages. Risks that are managed well can lead to opportunities and generate value, while risks that are not dealt with correctly can cause damages and unnecessary costs for the company. For this reason, the ability to identify risk factors and manage risks is an important part of the company's operational activities.

FINANCIAL RISKS

Sensys Gatso is exposed to financial risks in its international business due to changes in exchange- and interest rates, as well as liquidity, financing and credit risks. The Group's policy for managing financial risks has been defined by the Board of directors and serves as a framework for risk management.

CURRENCY RISK

Currency risk refers to the fluctuations in exchange rates having a negative impact on the Group's income statement, balance sheet and/or cash flow. Currency risk arises when future business transactions, or reported assets or liabilities, are expressed in a currency which is not the Group's functional currency.

Transaction exposure

In the Group's international operations, some customers pay in their own currency which means that the Group is exposed to transactional currency risks. This kind of currency risk also arises in conjunction with the import of raw material and components in a currency that is not the Group's functional currency. Incoming flows or foreign currencies should be used for payment in the same currency. The subsidiaries within the group perform their business mostly in their functional currencies, therefore limiting transaction exposure risk.

Transaction exposure 2021	SEK	EUR	USD	AUD	Total
<i>Assets as per balance sheet:</i>					
Trade receivables	0	0	87,249	0	87,249
Cash and bank balances	0	10,768	0	0	10,768
Total	0	10,768	87,249	0	98,017
<i>Liabilities as per balance sheet:</i>					
Borrowings	0	0	0	0	0
Liabilities to shareholders	0	8,527	0	0	8,527
Total	0	8,527	0	0	8,527

Translation exposure

Currency risk also arises in conjunction with the translation of foreign net Currency risk also arises in conjunction with the translation of foreign net assets and earnings, so-called translation exposure. This currency risk is not hedged and refers, primarily, to the translation of foreign subsidiaries' income statement and balance sheets. Earnings from foreign subsidiaries are translated into Swedish krona based on the average exchange rate for each month. Net assets are translated into Swedish krona based on the exchange rate per last date of the month. The Group's risk exposure in foreign currencies at the end of 2021, expressed in thousands of Swedish krona (TSEK) consisted of the following:

Translation exposure 2021	SEK	EUR	USD	AUD	Total
<i>Assets as per balance sheet:</i>					
Trade receivables	100,885	21,876	14,995	3,526	141,282
Accrued income	0	8,510	0	22,621	31,131
Cash and bank balances	61,879	-3,176	4,127	9,633	72,463
Total	162,764	27,210	19,122	35,781	244,876
<i>Liabilities as per balance sheet:</i>					
Borrowings	-	64,402	-	-	64,402
Liabilities to shareholders	-	28,981	-	-	28,981
Trade payables	8,261	10,940	9,897	8,020	37,118
Liabilities to customers	2,874	0	-	-	2,874
Other liabilities	6,028	5,617	917	838	13,400
Total	17,163	109,941	10,814	8,858	146,775

As indicated by the exposure table above, the Group is primarily exposed to changes in the EUR/SEK exchange rate.

The company enters into forward contracts to mitigate the currency risk on future expected cash receipt of customer contracts. These contracts are accounted for as a cash flow hedge in the financial numbers. The company also recognizes a risk on timing of payment and uses currency swap contracts to temporarily prolong the effect of a forward contract if needed. These currency SWAPs will be bought/sold on the settlement date of the forward contract(s). The Company has entered into the following swap contracts connected to a hedge; sell 2.6 MUSD.

The company also, for time to time, enters into currency swap contracts to mitigate currency risks on (short-term) intercompany loans in SEK, which are swapped to a foreign currency. These swap contracts are not accounted for as a cash flow hedge, therefore the fair value of these contracts are accounted for in the profit and loss. At the end of the financial year the company has the following outstanding swap contracts related to intercompany financing; buy 40.9 MSEK and buy 0.4 MAUD.

INTEREST RISKS

The company holds no interest-bearing assets and, accordingly, the Group's income and cash flow from operating activities are, in all material aspects, independent of changes in market interest rates. The Group's interest-rate risk arises in conjunction with long-term borrowing. The aim is to limit the interest risk in the Group's interest-bearing liabilities. At the closing date, the Group had MSEK 93.4 (89.9) in interest-bearing liabilities and cash and cash equivalents amounted to MSEK 72.5 (108.5). Borrowing on the basis of floating interest rates, exposes the Group to interest-rate risks as regards to cash flow. Borrowing on the basis of fixed interest rates implies an interest-rate risk for the Group in terms of fair value. In 2021, the Group's borrowings largely consisted of credit facilities provided by banks with three months fixed interest rates (EURIBOR). The group's liabilities to shareholders are burdened with three months (EURIBOR) and fixed annual rates on subordinated loans. The interest rates and conditions are consistent with 2021. The Group holds no listed financial instruments.

LIQUIDITY AND FINANCIAL RISKS

Financing risk also refers to risks associated with existing and future financing, refinancing of overdue loans, or difficulties in raising external loans. Liquidity risk refers to the risk of being unable to fulfil payment commitments when they fall due as a consequence of insufficient liquidity. Both of these forms of risk are managed by the company preparing regular cash flow forecasts. The Board closely monitors rolling forecasts for the company's liquidity reserve to ensure that the company has sufficient cash funds to meet the requirements of operating activities. The group has processes in place to monitor the bank covenants and the cash flow and is in control of cash requirements. For the liabilities the company has conventional covenants towards the banks, such as Debt Service Coverage Ratio, Solvency ratio, absolute EBITDA levels and certain restriction for new investments. In 2021 the installment of the vendor loan of EUR 1 million was paid (EUR 1 million, converted to shares). At the end of 2021 the company has used MSEK 64.4 (51.6) of its credit facilities. The table below presents an analysis of the Group's financial liabilities to be settled net, specified according to the contractual time to maturity, as of the closing date. The interest amounts stated in the table are the contractual, undiscounted cash flows. Amounts falling due within 12 months correspond with the carrying amounts, as the effect of discounting is negligible.

As of 31 December 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	
Bank loans	41,110	7,757	15,535	-	-
Trade payables	37,118	-	-	-	-
Loan to related parties	8,527	-	20,454	-	-
Lease liability	8,696	6,382	7,865	-	0
Total	95,451	14,139	43,854		0

As of 31 December 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	
Bank loans	42,857	2,509	6,274	-	-
Trade payables	62,417	-	-	-	-
Loan to related parties	10,038	8,432	19,814	-	-
Lease liability	9,334	5,316	13,727	-	0
Total	124,646	16,257	39,815		0

CREDIT RISK

Credit risks are defined as the risk of loss if the opposite parties with whom the Group has invested cash and cash equivalents, fail to fulfil their obligations. Credit risks are to a large extent avoided through effective creditworthiness analyses/monitoring of existing and potential customers, and in certain cases by obtaining payments in advance or payment against a letter of credit. The Groups' assets are recognised in the balance sheet after deduction for provisions for expected credit losses. The credit risk is limited to the carrying amount of each financial asset. A provision of MSEK 9.2 (7.4) was made for receivables that are not expected to be paid.

CAPITAL RISK

The Group's objective with regard to the capital structure is to secure the Group's ability to continue operating, so that it can continue to generate returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to keep the cost of capital down. To maintain or adjust the capital structure, the Group may change the dividend paid to shareholders, repay capital to shareholders, issue new shares or sell assets to reduce debt. The debt/equity ratio at 31 December 2021 was 70.4% (67.3%).

OPERATIONAL RISKS

For Sensys Gatso, a major part of operational risk lies in the management of each individual project. Sensys Gatso works actively to integrate risk management in each customer project, and has developed an in-house tool, Risk Assessment Analysis, for this purpose. The tool enables the company to identify, manage and where necessary, accept and limit the risks involved in each project. The project manager is responsible for implementing Risk Assessment Analysis and subsequently following up and reporting on important matters. In addition to this, for larger projects, a member of the management team will be appointed to act as sponsor for the project and the point of contact for regular reports from the project manager.

Each entity manager is responsible for driving and developing his/her respective area of responsibility, which includes identifying opportunities and threats as well as continuously following up on activities. In the local management team meetings projects are discussed, resulting in operational decisions.

PRICE RISK

Price risk in the Group's operations primarily arise in conjunction with the purchase of material used in manufacturing.

INSURANCE

The Group has adequate insurance policies covering property, product liability, interruptions and transport, as well as an insurance policy covering the Board of Directors and CEO.

IT SECURITY

As computer-aided technology has assumed an increasingly greater scope within the companies, security requirements have also increased. The functional security of the databases and e-mail servers is checked via daily backups. The internet connection is fixed and completely isolated from other networks via hardware firewalls. Access via public networks is secured via security devices. User access to the system is regulated via Group authorisations and entitlements based on actual assignments and roles within the company. As of May 25, 2018, the group is in full compliance with new GDPR regulations.



Parent Company

Income Statement

TSEK	Note	2021	2020
Net sales	26, 27	21,966	11,941
Gross profit		21,966	11,941
Administrative costs		-30,853	-17,205
Operating profit/loss	28, 37	-8,887	-5,264
Profit/loss from financial investments	29		
Interest income/foreign exchange gains		5,355	5,516
Interest expense/foreign exchange losses		-1,274	-3,672
Profit/loss after financial items		-4,806	-3,420
Appropriations	40	11,212	11,785
Profit/loss before tax		6,406	8,365
Income tax for the year	30	-1,329	-1,707
PROFIT OR LOSS FOR THE YEAR		5,077	6,659
Parent company statement of comprehensive income			
Profit for the year		5,077	6,659
Other comprehensive income		0	0
Total comprehensive income for the year		5,077	6,659

Parent Company

Balance Sheet

TSEK	Note	31 Dec 2021	31 Dec 2020
ASSETS			
INTANGIBLE FIXED ASSETS			
Product and software development		30,665	19,933
	31	30,665	19,933
FINANCIAL FIXED ASSETS			
Deferred tax assets	30	16,384	17,714
Investments in Subsidiaries	33	415,688	413,952
Loan Subsidiaries	31	45,000	49,333
		477,072	480,999
TOTAL NON CURRENT ASSETS		507,737	500,932
OTHER CURRENT ASSETS			
Receivables from subsidiaries	31	45,411	15,204
Current tax assets		-	-
Other receivables		813	314
Prepaid expenses and accrued income		2,333	1,197
		48,557	16,715
CASH AND CASH EQUIVALENTS			
Cash and bank balances		24,819	62,755
		24,819	62,755
TOTAL CURRENT ASSETS		73,376	79,470
TOTAL ASSETS		581,113	580,402

Parent Company

Balance Sheet

TSEK	Note	31 Dec 2021	31 Dec 2020
SHAREHOLDERS' EQUITY AND LIABILITIES			
EQUITY	34		
<i>Restricted equity</i>			
Share capital		46,089	46,089
Statutory reserve		25,215	25,215
Legal reserve		30,665	19,933
		101,969	91,237
<i>Non-restricted equity</i>			
Share premium reserve		475,512	475,512
Retained earnings including net profit for the year		-15,869	-11,998
		459,643	463,514
TOTAL SHAREHOLDERS' EQUITY		561,612	554,751
LIABILITIES			
NON CURRENT LIABILITIES			
Liabilities to shareholders	35	0	8,171
TOTAL NON CURRENT LIABILITIES		0	8,171
CURRENT LIABILITIES			
Liabilities to shareholders	35	8,527	10,038
Trade payables		3,601	1,431
Liabilities to subsidiaries		1,759	2,510
Other liabilities		260	171
Accrued expenses and deferred income	36	5,354	3,329
		19,501	17,479
TOTAL LIABILITIES		19,501	25,650
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		581,113	580,402

Parent Company

Cash Flow

TSEK	2021	2020
Operating profit/loss	-8,887	-5,264
Adjustments for non-cash items		
Depreciation and amortisation	-	-
Movement in warranty provision	-	-
Other non cash items	-2,061	-281
Adjustments for non-cash items	-2,061	-281
Interest received	4,385	2,140
Interest paid	-	-
Exchange rate effects	907	320
Income taxes paid	-	-
Cash flow from operating activities before changes in working capital	-5,656	-3,085
Cash flow from changes in working capital		
Trade receivables	-	-
Inventories	-	-
Trade payables	2,170	218
Other changes in working capital	-272	3,570
Cash flow from operating activities	-3,758	703
Investing activities		
Investments in subsidiaries	-25,000	-20,664
Investments in intangible assets	-10,732	-13,037
Received parent company contribution	11,785	11,922
Cash flow from investing activities	-23,947	-21,779
Financing activities		
New share issue	-	75,000
Costs for share issue	-	-4,035
Repayments of Leases and Bank loans	-	-
Repayments on credit facilities	-	-
Movement in liabilities to shareholders	-10,231	-
Cash flow from financing activities	-10,231	70,965
Cash flow for the year	-37,936	49,889
Cash and cash equivalents at beginning of the year	62,755	12,866
Cash and cash equivalents at end of the year	24,819	62,755

Parent Company

Statement of changes in shareholders' equity

	Share capital	Statutory reserve	Share premium reserve	Legal reserve	Retained earnings	Total shareholders' equity
Shareholders' equity 1 Jan 2020	43,002	25,215	397,379	6,896	-7,346	465,146
Net profit of the year					6,659	6,659
Addition to legal reserve				13,037	-13,037	0
New share issue	3,087		81,388			84,475
New share issue costs			-4,035			-4,035
Tax on new share issue costs			780			780
Other movements					1,500	1,500
Stock related remunerations					227	227
Shareholders' equity 1 Jan 2021	46,089	25,215	475,512	19,933	-11,997	554,752
Net profit of the year					5,077	5,077
Addition to legal reserve				10,732	-10,732	0
Stock related remunerations					1,783	1,783
Shareholders' equity 31 Dec 2021	46,089	25,215	475,512	30,665	-15,869	561,613

Parent Company

Notes on the accounts

All amounts are expressed in SEK '000 unless otherwise stated.

Note 26 Total sales

Net sales by region	2021	2020
Europe	21,966	11,941
America	-	-
Middle East and APAC	-	-
Total	21,966	11,941

Note 27 Purchase and sales between group companies

Of the parent company's total income from operations, MSEK 22.0 (11.9) refers to remunerations of services performed.

Note 28 Expenses by nature

	2021	2020
Employee benefits and expenses (including board fee and recharges)	12,454	8,567
Office expenses	2,332	2,036
Sales expenses	2,319	541
Development expenses	304	320
General expenses	13,190	5,669
Financial items	255	72
Total	30,853	17,205

Note 29 Profit/loss from financial activities

Interest and similar profit/loss items	2021	2020
Interest income on bank deposits	0	0
Exchange rate gains on bank deposits or other loans	970	3,706
Interest income Group companies	4,385	1,810
Total financial income	5,355	5,516
Interest expense on financial liabilities	2021	2020
Interest expense on loans	0	0
Exchange rate losses on bank deposits or other loans	1,239	3,672
Other financial expenses	35	0
Total financial costs	1,274	3,672
Profit/Loss from financial investments	4,081	1,844

Note 30 Tax on result for the year

Corporate income tax	2021	2020
Current tax	-	-
Deferred tax	-1,329	-1,707
Total	-1,329	-1,707
<i>Difference between tax expense and tax expense based on applicable tax rate</i>		
Recognised profit/loss before tax	6,406	8,365
Tax at applicable rate (20.6%)	-1,329	-1,707
Tax on profit/loss for the year in accordance with income statement	-1,329	-1,707

Deferred tax assets	2021	2020
Opening deferred tax assets	17,714	18,640
Utilisation of losses	-1,329	-926
Closing deferred tax assets	16,385	17,714

Deferred taxes

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deferred taxes can be utilised.

In cases where the company has reported losses in recent years, a deferred tax recoverable relating those losses is only recognised to the extent that there are compelling circumstances indicating that it will be used to offset future taxable profits.

Within the Group there is an extensive budget and forecast process in order to verify the value of the deferred tax assets. Budgets and forecasts are built-up from the entities in collaboration between entity General Managers and Group Management. Furthermore, there are also verifiable circumstances in the form of the current order backlog and agreements with customers as underlying information to the budget and forecast process. These budgeted and forecasted numbers of future sales and profit are matched towards the tax assets in order to measure the number of profitable years needed for utilisation of the total value of the tax assets.

As per December 2021, the Parent company Sensys Gatso Group AB had a total estimated unutilised tax losses of SEK 143.1 (150.1) million. Approximately SEK 78.2 (86.0) million has been accounted for in the deferred tax asset to the amount of SEK 16.1 (17.7) million.

Based on continued future expected profits in Sensys Gatso Group AB arising from group recharges, intercompany financing activities, future royalties for products and brands the company is expected to be profitable in future. Furthermore, management expects Sensys Gatso Sweden AB to continue contributing to the future profits by entries into new markets and a broader product range that can be offered to existing customer relations. Management has made the assessment that the tax losses accounted for in the deferred tax asset will be utilised in the future.

Note 31 Intangible Fixed Assets

Intangible Fixed Assets	Product & software development	
	2021	2020
Opening accumulated acquisition value	19,933	6,896
Internal development	10,732	13,037
Closing accumulated acquisition value	30,665	19,933
Amortisation	0	0
Carrying amount	30,665	19,933

Note 32 Loan Subsidiaries

Loan subsidiaries	2021	2020
Opening loan subsidiaries	49,333	29,333
Repayment		
Additions	25,000	20,000
Closing loan subsidiaries	74,333	49,333

The parent company has provided subsidiaries with loans up to SEK 74.3. This loan consists of two parts. The first part has an outstanding amount of 29.33 MSEK with an ultimate maturity date of December 31, 2022. The second part has an outstanding amount of 45 MSEK with an ultimate maturity date of November 30, 2025. Both parts bear an interest of 6% per annum.

Note 33 Shares and participation in subsidiaries

	2021	2020
Opening acquisition value	413,952	413,952
Movements in the year	1,736	-
Closing accumulated acquisition value and Carrying amount	415,688	413,952

Details of wholly owned subsidiaries, their corporate identity numbers and registered offices are as follows:

Subsidiaries	Ownership	Corporate Identity Number	Registered offices	No. of share	Carrying amount	
					2021	2020
Sensys Gatso Sweden AB	100%	556811-3376	Jönköping, Sweden	500	30,391	30,000
Sensys Gatso Group BV	100%	34030301	Haarlem, The Netherlands	3,598	383,297	383,952

Sub-subsidiaries	Ownership	Corporate Identity Number	Registered offices	No. of share
Sensys Gatso Netherlands	100%	34065996	Haarlem, The Netherlands	500
Sensys Gatso Software B.V.	100%	34077170	Haarlem, The Netherlands	400
Sensys Gatso International B.V.	100%	34064750	Haarlem, The Netherlands	400
Sensys Gatso Australia Ltd.	100%	ABN20086 166494	Sydney, Australia	1,000
Sensys Gatso Deutschland GmbH	100%	HRB 67669	Hilden, Germany	25,000
Sensys Gatso Americas B.V.	100%	34279593	Aerdenhout, The Netherlands	50,000
FDJ Inc.	100%	4375982	Dover Delaware, USA	100
Sensys Gatso USA Inc.	80%	4375979	Dover Delaware, USA	80
Gatso Asia Ltd.	100%	1196483	Hong Kong, Hong Kong	1
Gatso Canada	80%	BC1009998	Alberta, Canada	10,000
Sensys Gatso Japan KK	100%	0110-01-101894	Tokyo, Japan	100
Sensys Gatso Costa Rica Sociedad Anónima	100%	3-101-786819	San José, Costa Rica	600
Sensys Gatso LaTaM S.L.	100%	B05296892	Madrid	5,000
Sensys Gatso Colombia S.A.S.	51%	901.533.249-2	Barranquilla	1,000

Note 34 Shareholders' equity

Share capital

The share capital of Sensys Gatso Group AB amounts to SEK 46,088,820.30 (46,088,820.30), divided into 921,776,405 (921,776,405) shares. The quota value, previously the nominal value, is SEK 0.05 per share. All shares have an equal right to a portion of the company's assets and profits. Each share entitles the holder to one vote. At shareholders' meetings, each person entitled to vote may vote for the full number of shares owned and represented by him/her without any restriction in the number of votes. The share capital and number of shares has developed as follows since 1 January 1995:

Year	Transaction	Increase in number of shares	Increase in share capital (SEK)	Total share capital (SEK)	Number of shares	Nominal value of shares (SEK)
1995	Opening values	-	-	50,000	500	100
1997	Bonus issue	500	50,000	100,000	1,000	100
1998	Split 1000:1	999,000	-	100,000	1,000,000	0.10
1998	Bonus issue	4,000,000	400,000	500,000	5,000,000	0.10
1998	New share issue	1,025,000	102,500	602,500	6,025,000	0.10
1999	New share issue	4,065,999	406,600	1,009,100	10,090,999	0.10
2000	Bonus issue	-	1,009,100	2,018,200	10,090,999	0.20
2000	Split 4:1	30,272,997	-	2,018,200	40,363,996	0.05
2000	Exchange of convertibles	5,888,218	294,411	2,312,611	46,252,214	0.05
2000	New share issue	10,068,556	503,428	2,816,039	56,320,770	0.05
2001	Exchange of convertibles	101,776	5,089	2,821,128	56,422,546	0.05
2002	New share issue	79,787,095	3,989,355	6,810,483	136,209,641	0.05
2003	New share issue	34,781,829	1,739,091	8,549,574	170,991,470	0.05
2004	Redemption of warrants	360,000	18,000	8,567,574	171,351,470	0.05
2004	New share issue	3,171,909	158,595	8,726,169	174,523,379	0.05
2004	New share issue	35,783,672	1,789,184	10,515,353	210,307,051	0.05
2005	Redemption of warrants	3,620,000	181,000	10,696,353	213,927,051	0.05
2006	Redemption of warrants	2,000,000	100,000	10,796,353	215,927,051	0.05
2010	New share issue	71,975,683	3,598,784	14,395,137	287,902,734	0.05
2012	New share issue	191,935,152	9,596,757	23,991,894	479,837,886	0.05
2013	Redemption of warrants	30,909,453	1,545,473	25,537,367	510,747,339	0.05
2013	Redemption of warrants	30,486,975	1,524,349	27,061,716	541,234,314	0.05
2015	Issue for non-cash consideration	115,920,763	5,796,038	32,857,754	657,155,077	0.05
2017	New share issue	187,758,592	9,387,929.65	42,245,683.50	844,913,669	0.05
2018	Conversion of vendor loan	15,110,738	755,536.90	43,001,220.40	860,024,407	0.05
2020	Directed Share Issue	53,571,475	2,678,573.75	45,679,794.15	913,595,882	0.05
2020	Conversion of vendor loan	8,180,523	409,026.15	46,088,820.30	921,776,405	0.05

Note 35 Transactions with shareholders

Liabilities to shareholders	2021	2020
Non-current liabilities vendor loan	0	8,171
Current liabilities vendor loan	8,527	10,038
Closing liabilities to shareholders	8,527	18,209
Non-current liabilities to shareholders	2021	2020
Opening liabilities	8,171	18,489
To current liabilities to shareholders	-8,527	-10,038
Currency/net present value adjustments	356	-280
Non-current liabilities	0	8,171
Current liabilities to shareholders	2021	2020
Opening liabilities	10,038	10,449
Off-set vendor loan in New share issue	0	-10,449
Repayment	-10,038	0
Current part of promissory note	8,527	10,038
Current liabilities	8,527	10,038

Note 36 Accrued expenses and accrued income

Accrued expenses and deferred income	2021	2020
Accrued salaries	2,422	1,622
Holiday pay liability	140	0
Social charges	536	21
Accrued Audit and advisory expenses	1,190	1,190
Other	1,067	496
Total	5,354	3,329

Note 37 Fees to auditors

Fees to auditors	2021	2020
Audit assignment	1,255	1,531
Other assignments	8	119
Total	1,263	1,650

Note 38 Pledged assets

Pledged assets	2021	2020
General guarantee	0	15,000
Total pledged assets	0	15,000

Note 39 Parent Company

The Parent Company's business name is Sensys Gatso Group Aktiebolag. The company is a limited liability company, registered with the Swedish Companies Registration Office, with its registered office in the County of Jönköping, the Municipality of Jönköping, and with the Corporate Identity Number 556215-4459. The company's visiting address is Vasavägen 3c, Jönköping, Sweden.

Sensys Gatso Group AB is the Parent Company of the Sensys Gatso Group, one of the world's leading traffic safety suppliers. The Group develops, manufactures and markets traffic safety systems that are preliminary used for monitoring red-light and speed control. At year end, Sensys Gatso Group AB had 17,041 shareholders. Together, the ten largest shareholders hold 34.4 percent (34.9) of the shares outstanding.

Note 40 Appropriations

Appropriations	2021	2020
Group contributions received	11,212	11,785
TSEK	11,212	11,785

Note 41 Proposed appropriation of profit or loss

The following profits are at the disposal of the Annual General Meeting:	2021
Share premium reserve	475,512
Retained earnings	-15,869
TSEK	459,643

The Board of Directors proposes that no dividend will be paid for 2021 and the retained earnings be carried forward.

Signatures

The Board of Directors and the CEO certify that the consolidated accounts have been prepared in accordance with international financial reporting standards, IFRS, as adopted by the EU, and that they provide a true and fair view of the Group's financial position and the results of its operations.

The annual report has been prepared in accordance with generally accepted accounting principles in Sweden and provides a true and fair view of the Parent Company's financial position and results.

The administration report for the Group and Parent Company provides a true and fair overview of the development of the Group's and the Parent Company's operations, financial position and results, and describes significant risks and uncertainty factors facing the Parent Company and other companies within the Group.

The income statements and balance sheets will be submitted for adoption at the AGM on 12 May 2022.

Jönköping, April 13, 2022

Claes Ödman
Chairman of the Board

Jochem Garritsen
Board Member

Pia Hofstedt
Board Member

Kerstin Sjöstrand
Board Member

Christina Hallin
Board Member

Nishant Batra
Board Member

Ivo Mönnink
Chief Executive Officer

Our audit report was submitted on April 13, 2022
BDO Mälardalen AB

Johan Pharmanson
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Sensys Gatso Group AB (publ), corporate identity number 556215-4459

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Sensys Gatso Group AB (publ) for the financial year 2021 except for the corporate governance statement on pages 26-33. The annual accounts and consolidated accounts of the company are included on pages 22-74 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 26-33. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's Board of Directors in accordance with the Audit Regulation (537/2014/EU) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014/EU) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Impairment test of goodwill

Of the group's total balance sheet, goodwill comprises a significant amount.

In Note 9 Intangible Fixed Assets, Sensys Gatso Group describes its valuation of reported goodwill. As these assets are not amortized on an ongoing basis, an annual impairment test is, instead, to be executed. Sensys Gatso Group has undertaken this test during the final quarter of 2021.

An impairment test contains a number of assumptions, amongst others, regarding future market developments, the possibility of achieving growth, profit development and the discount factor. In other words, the judgments and estimations made by group management and the Board are complex.

As goodwill comprises a significant amount and the assumptions required include judgments and estimations each of which can have decisive importance for the valuation, this area has been of special significance in the audit.

How our audit addressed the Key audit matter

Initially, we checked, together with BDO's valuation specialists, the prepared impairment tests per segment to determine if they are based on established principles and methods.

In our audit, we checked the most important assumptions made by the group management and Board of Directors which were applied in the impairment tests, such as those regarding growth, profitability and the discount rate. We assessed these assumptions, by comparing against Sensys Gatso Group's budget per segment and also against historical outcome. We executed an independent assessment with the starting point being the market economic premises for the various cash-generating units included in each segment. The applied discount rates per segment were checked against observable market data. We also examined the starting point for the determination of significant assumptions to ensure that they are consistent with the previous year. We audited the simulations and sensitivity analyses undertaken by the group management and Board of Directors. These tests have also provided the basis for our control of the disclosures provided in the annual report in Note 9. As a final, overall control, we have compared the company's stock exchange value in relation to its calculated net realizable value.

Valuation of deferred tax recoverable attributable to unutilised tax losses

In Note 11 Deferred tax, it is stated that the group reports deferred tax recoverable totalling a significant amount. These amounts refer to fiscal losses carried forward in Sweden and the US. In order to assess the value of unutilized tax losses, group management and the Board of Directors must make assumptions on the amount of future taxable profits, which are impacted by market conditions, the company's own performance in each country of operation and the tax legislation in effect. The complexity of this assessment is enhanced by the fact that the operations in Sweden are volatile and is also due to the fact that the unutilized tax losses in the US are limited in time and amount. Based on the size of the recoverable, and as the valuation includes significant judgments, this area has been of special significance in the audit.

How our audit addressed the Key audit matter

Initially, we obtained information on the calculations, as regards both Sweden and the US, which the group management had prepared in order to assess the possibility of utilizing the tax losses in future years. We examined to determine if the forecasts applied were those approved by the Board of Directors, and we compared net sales and profitability with previous years' outcomes. We also examined the assumptions applied in the calculations to determine if they were consistent with the impairment testing of goodwill. In executing our audit, we examined to determine if there were any adopted or forthcoming changes in the tax regulations in Sweden, and in the US, which could impact the possibility of utilising the tax losses or could impact the size of the losses that can be utilized, and have been accounted for according to generally accepted accounting practice. We also examined the disclosures Sensys Gatso Group provides in Note 11 to determine if they are in accordance with IFRS. In the same Note, there is a statement that the entire amount of unutilized tax losses in Sweden has not been accounted for as an asset.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 2-21 The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

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

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated

accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

The auditor's audit of the administration of the Board of Directors and the Managing Director and the proposed appropriations of the company's profit or loss

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Sensys Gatso Group AB (publ) for the financial year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance

with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

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

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the Esef report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528) for Sensys Gatso Group AB (publ) for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report 7978fe4140cc8f004d927c

offe766d0469aa51a8bbbfa43d88252ed01446af67 has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Sensys Gatso Group AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 require us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e., if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 26-33 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

BDO Mälardalen AB was appointed auditor of Sensys Gatso Group AB (publ) by the general meeting of the shareholders on 11 May 2021 and has been the company's auditor since 2018.

Stockholm, the date stated on our electronic signature
BDO Mälardalen AB

Johan Pharmanson
Authorized Public Accountant

Information to the shareholders

Sensys Gatso Group AB (publ) will publish the following financial information:

- » Q1 2022, 29 April
- » Q2 2022, 18 August
- » Q3 2022, 17 November
- » Q4 2022, 23 February 2023

Annual reports and other reports are available at our website at www.sensysgatso.com and can also be ordered directly from Sensys Gatso.

Annual General Meeting of Shareholders

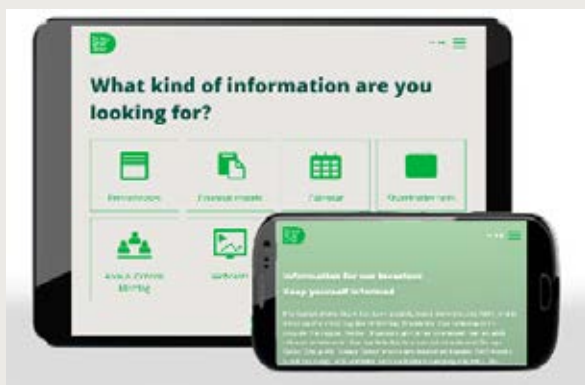
Sensys Gatso will hold its Annual General Meeting of Shareholders on 12 May 2022 at Elite Stora Hotellet in Jönköping.

The Board of Directors has, in accordance with Chapter 7, Section 4a of the Swedish Companies Act and the articles of association of the Company, resolved that the shareholders shall also have the right to exercise their voting rights through postal voting ahead of the Meeting. Thus, shareholders may choose to exercise their vote at the Meeting through being present in person, through proxy or through postal voting.

Voting at the Annual General Meeting

Those who wish to exercise their voting rights at the Meeting must:

- » be entered as a shareholder in the share register kept by Euroclear Sweden AB on Wednesday 4 May 2022 or, if the shares are registered in the name of a nominee, request that the nominee registers the shares in their own name for voting purposes in such time that the registration is completed by Friday 6 May 2022; and
- » give notice of attendance to the Company in accordance with the instructions set out in the section "Notice of attendance for participating in person or through a proxy" or submit a postal vote in accordance with the instructions set out in the section "Postal voting" no later than on Friday 6 May 2022.



Notice of attendance for participating in person or through a proxy

Those who wish to participate in the Annual General Meeting in person or through a proxy shall give notice of attendance to the Company by mail to Sensys Gatso Group AB, Box 2174, 550 02 Jönköping or by e-mail to info@sensysgatso.com. The notice of attendance shall state name, date of birth or corporate identification number, address, telephone number and, where relevant, the number of accompanying advisors (not more than two).

Shareholders represented through a proxy must issue a written power of attorney for the representative. A template proxy form is available at the Company's website, www.sensysgatso.com. The proxy form template is also available at the Company or may be order via e-mail info@sensysgatso.com. The power of attorney shall be sent to the Company, to the address above, well in advance of the Meeting. Documents of authority in original shall be presented at the Meeting. A proxy representing a legal person shall append a copy of a certificate of registration showing the authorized company signatories.

Postal voting

Shareholders who wish to exercise their voting rights by postal voting shall use the voting form and follow the instructions available on the Company's website, www.sensysgatso.com. The postal vote must be received by the Company no later than on Friday 6 May 2022. The postal voting form shall be sent to the Company by mail to Sensys Gatso Group AB, Box 2174, 550 02 Jönköping or by e-mail to info@sensysgatso.com. The shareholder may not provide special instructions or conditions in the voting form. If so, the vote (i.e. the advance vote in its entirety) is invalid. Further instructions and terms are set out in the postal voting form.

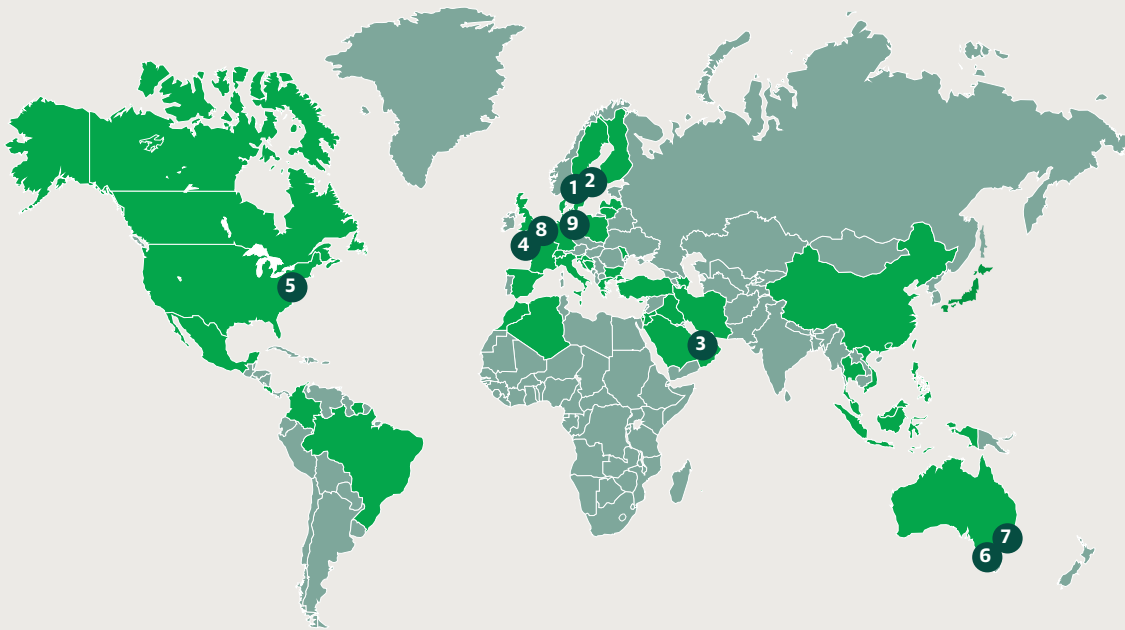
Those who wish to withdraw a submitted postal vote and instead exercise their voting rights by participating in the Meeting in person or through a proxy must give notice thereof to the Company no later than on Friday 6 May 2022.

Contact for financial information

Chief Financial Officer Simon Mulder
T +31 (0)23 525 50 50
E-mail: s.mulder@sensysgatso.com

Sensys Gatso's website - www.sensysgatso.com - contains detailed and up-to-date financial information. The website also has a subscriber service for those wishing to subscribe to press releases and reports via e-mail.

Addresses



1 Sensys Gatso Group AB

Vasavägen 3c, SE-554 54 Jönköping
Box 2174, SE-550 02 Jönköping, Sweden
T +46 36 34 29 80
E-mail info@sensysgatso.com
Registered No 556215-4459
VAT NO SE556215445901

2 Sensys Gatso Sweden AB

Vasavägen 3c, SE-554 54 Jönköping
Box 2174, SE-550 02 Jönköping, Sweden
T +46 36 34 29 80
E-mail info@sensysgatso.com
Registered No 556811-3376
VAT NO SE556811337601

3 Sensys Gatso Group AB Middle East

P.O. Box 371127, Dubai
Dubai Airport Freezone, Building 5EA,
Office G03, United Arab Emirates
T +971 50 4549 300
E-mail dubai@sensysgatso.com

4 Sensys Gatso Netherlands BV

Claes Tillyweg 2
2031 CW Haarlem
PO BOX 4959
2003 EZ Haarlem, The Netherlands
T +31 23 5255050
E-mail info@sensysgatso.com

5 Sensys Gatso USA, Inc.

900 Cummings Center
Suite 316U
Beverly, MA 01915, USA
T +1 978 922 7294
E-mail us_sales@sensysgatso.com

6 Sensys Gatso Australia Pty Ltd

Melbourne Office
Unit 8 11-12 Phillip Court
Port Melbourne, VIC 3207, Australia
T +61 3 9647 6470
E-mail au_sales@sensysgatso.com

7 Sydney Office

Unit 7A, 256 New Line Road
Dural, NSW 2158, Australia
T +61 2 8091 6470
E-mail au_sales@sensysgatso.com

8 Sensys Gatso Software BV

Joan Muyskenweg 22
1096 CJ Amsterdam
PO BOX 4959
2003 EZ Haarlem, The Netherlands
T +31 23 5255050
E-mail info@sensysgatso.com

9 Sensys Gatso Deutschland GmbH

Hofstr. 64
40723 Hilden, Germany
T +49 2103 9689 760
E-mail info@sensysgatso.com

Sensys Gatso is a global leader in traffic management solutions for nations, cities and fleet owners. Sensys Gatso has subsidiaries in Australia, Germany, the Netherlands, Sweden, and the USA, and a branch office in the United Arab Emirates and has a total of 263 employees. The Sensys Gatso Group's shares are listed at NASDAQ Stockholm.

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