

Interim Report for January - March 2016

January – March 2016

(Numbers Q1 2015 are for Sensys Traffic stand alone)

- Net sales amounted to SEK 164.1 m (54.3)
- Order intake amounted to SEK 27.1 m (43.2)
- One off cost for the transformation program amounts to SEK 30.0 m
- The EBITDA (adj.) totalled SEK 33.4 m (17.4)
- The operating profit (adj.) totalled SEK 15.6 m (17.2)
- The operating margin (adj.) was 9.5 per cent (31.6)
- The profit after taxation (adj.) totalled SEK 10.1 m (13.5)
- Earnings per share, before and after dilution, totalled SEK -0.03 (0.02)
- Cash flow from operating activities amounted to SEK 4.2 m (19.9)

Key indicators

SEK thousands	Jan - March 2016	Jan - March 2015	Jan - Dec 2015	April 2015 - March 2016
Net sales	164,143	54,328	397,825	507,640
Order intake	27,055	43,214	279,191	263,032
Operating profit	-14,384	17,162	48,703	17,158
Operating margin (%)	Neg	31.6	12.2	3.4
Gross margin (%)	26.1	54.8	41.7	42.5
Profit for the period	-19,910	13,489	40,929	7,530
Earnings per share (SEK)	-0.03	0.02	0.07	0.01
Cash flow from operations	4,220	19,889	39,166	754

Numbers prior 1 August 2015 are for Sensys Traffic AB stand alone.

EBITDA

SEK thousands	Jan – March 2016	Jan - March 2015	Jan - Dec 2015	April 2015 - March 2016
Operating profit	-14,384	17,162	48,703	17,158
Depreciation tangible and intangible fixed assets	4,600	200	7,860	12,260
Amortization of acquired intangible assets ^{1, 2}	13,170	0	19,088	32,258
EBITDA	3,386	17,362	75,651	61,676

Note 1. Amortization of the fair value adjustments of intangible assets recognized as part of the acquisition of the Gatso Beheer.

Note 2. Amortization on intangible assets related to the acquisition of Gatso Beheer split into categories Jan – March 2016, other intangibles SEK 1,461 Tkr, brand SEK 514 Tkr and customer contracts SEK 11,195 Tkr.

Comments from the CEO

The year has started according to plan with focus to deliver on our strategic priorities, i.e. transforming Sensys Gatso Group into a global leader in traffic management solutions, services and software with a streamlined business model.

During the first quarter, net sales amounted to SEK 164.1 million (54.3), EBITDA amounted to SEK 3.4 million (17.4) and operating profit was SEK -14.4 million, corresponding to a negative operating margin (31.6). In the first quarter the estimated financial effects of the transformation program amounting to SEK 30 million have been taken into account. This resulted in the EBITDA and operating profit as stated above. The adjusted EBITDA amounted to SEK 33.4 million and the adjusted operating profit amounted to SEK 15.6 million corresponding to an operating margin of 9.5%.

Order intake amounted to SEK 27.1 million (43.2) which was lower than the previous quarter and can to some extent be explained by seasonality patterns, as public tenders normally are not finalised in the beginning of the year.

Transformation program on target

2016 is a year of transformation and the program that was launched during the quarter is progressing well. All key metrics are on target; operational expenses, cost of goods sold and net working capital. Full effect is expected to be reached in the first quarter of 2017, i.e. reduction of the annual cost run-rate of SEK 20 million and a reduction of the net working capital of SEK 30 million. As part of the program we are reorganizing the system units into centres of excellence in Sweden and the Netherlands, as well as streamlining the supply chain and downsizing the assembly operations in the Netherlands.

After the end of the quarter, we have completed the negotiations with Employee Representatives and Trade Unions in Sweden and the Netherlands and affected employees have been informed. The outcome of the final negotiations was in line with the previously estimated cost of SEK 30 million, which have been taken into account in the first quarter as stated above.

Focus on recurring revenue

Starting this quarter, we are reporting the breakdown of our two business areas System Sales and Managed Services. In the quarter, sales in System Sales amounted to SEK 147.8 million, and Managed Services amounted to SEK 16.3 million.

The system sales area is generally a very volatile business with a mix of a few big contracts, and many smaller agreements. Managed services however provide a recurring and predictable revenue stream for the group, why our ambition is to grow its share of the business. With a stable foundation of managed services, the impact from order intake quarter-on-quarter will become less significant.

One company with improved scale and reach

2016 marks the first full year as one company for Sensys and Gatso, and we are optimistic about our future prospects thanks to our extended size, scale and reach. The short-term outlook will however be affected by continued volatility. Throughout the year, we will continue transforming the company in line with our strategy, ensuring a larger proportion of recurring revenues and a more streamlined business.

Torbjörn Sandberg
CEO, Sensys Gatso Group

THE GROUP

Significant events during the first quarter

- Order from France worth SEK 6.5 m to be delivered in the second quarter.
- The launch of a restructuring program covering the Dutch and Swedish operations aimed at reducing costs and improving capital efficiency, whilst building centres of excellence.

Net sales

January - March 2016

Order intake during the quarter totalled SEK 27.1 million (43.2) and relates to, among others, orders from the Netherlands, France and Middle East. Net sales in the quarter, amounted to SEK 164.1 million (54.3) and consisted primarily of sales to the Middle East, Africa and USA. The gross margin for the quarter was 26.1 per cent, the adjusted gross margin amounted to 38.9 per cent (54.8).

Business Areas

During the quarter the company has started reporting in two business segments, Systems Sales and Managed Services.

In System Sales, the ownership of the equipment is transferred to the customer. Normally, the systems are sold to a distributor that handles installations and basic support. System Sales also provides additional sales in the form of annual verifications, support and service, which are included in the net sales of the segment. The business is generally highly volatile with few big contracts and many smaller deals, where the former normally entail higher margins. Hence, the mix of large and small contracts has a significant impact on profitability from quarter to quarter. Europe and the Middle East currently provide the best opportunities for growth, whereas APAC and Latin America are assessed to provide growth in 2017 and onwards.

In Managed Services, the ownership remains with the Group and is reported as fixed assets in operations in the balance sheet. The Group is responsible of the entire value chain; system operations, sending out fines, receiving payments on the behalf of our customers. This model is commonly used in the US market. In addition, a growing number of system markets on all continents are expressing interest in changing towards managed service. Contracts normally run for 3-5 years with large possibility of extension.

Net sales and operating profit by business area

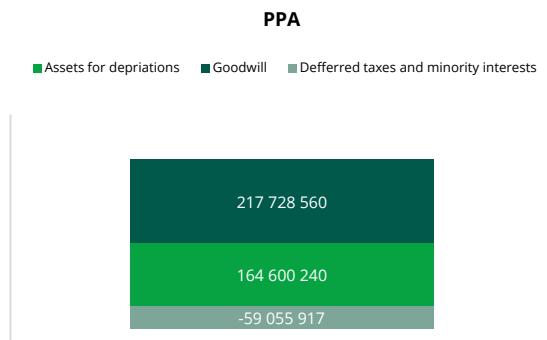
SEK thousands

	Net sales Q1 2016	Operating profit Q1 2016	EBITDA Q1 2016	Operating margin Q1 2016
System Sales	147,811	-11,167	-1,085	Neg
Managed Services	16,332	-3,217	4,471	Neg
Total sales and operating profit	164,143	-14,384	3,386	Neg

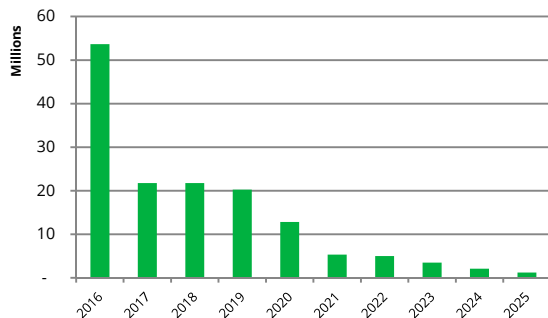
Purchase price allocation (PPA)

As described in the fourth quarterly report, when acquiring Gatso Beheer BV, a surplus value arose of intangible assets including goodwill, where goodwill was allocated due to the value of the synergy effects and competence expected to be gained from the acquisition.

The assets will be amortized over time, similar to other assets, whilst goodwill will be subject to impairment tests and adjusted based on the performance of the acquired company.



Amortization of intangible assets 2016 and over time;



Financial results

January - March 2016

The cost of goods sold includes SEK 21.0 million cost for the transformation program. The expenses totalled SEK 57.2 million (12.6) and includes depreciation on PPA of SEK 13.2 million and a one off cost of SEK 9.0 million for the transformation program.

The operating profit for the quarter totalled SEK -14.4 million (17.2) and the profit after taxation totalled SEK -19.9 million (13.5).

Financial position

The Group's equity at the end of the period totalled SEK 368.3 million (387.4), producing an equity/assets ratio of 48.7 per cent (49.9). Net debt was SEK 322.9 million (312.0).

Cash flow

Cash flow from operating activities totalled SEK 4.2 million (39.2) during the quarter. The cash flow from working capital was SEK -28.7 million (2.5).

Cash and cash equivalents at the end of the period totalled SEK 65.2 million (76.2). In addition the company has SEK 10.0 million (10.0) in frozen assets in the bank as a completion guarantee, mainly for the contract with the Swedish Transport Administration. This guarantee expires in July 2016.

In connection with the acquisition of Gatso Beheer, Sensys arranged a long-term loan of SEK 50 million as well as a bank overdraft facility of SEK 25 million. The long-term loan has a term of three years and to be repaid by July 2018.

The Sensys Gatso share

The number of shares at the end of the period was 657,155,077 (657,155,077).

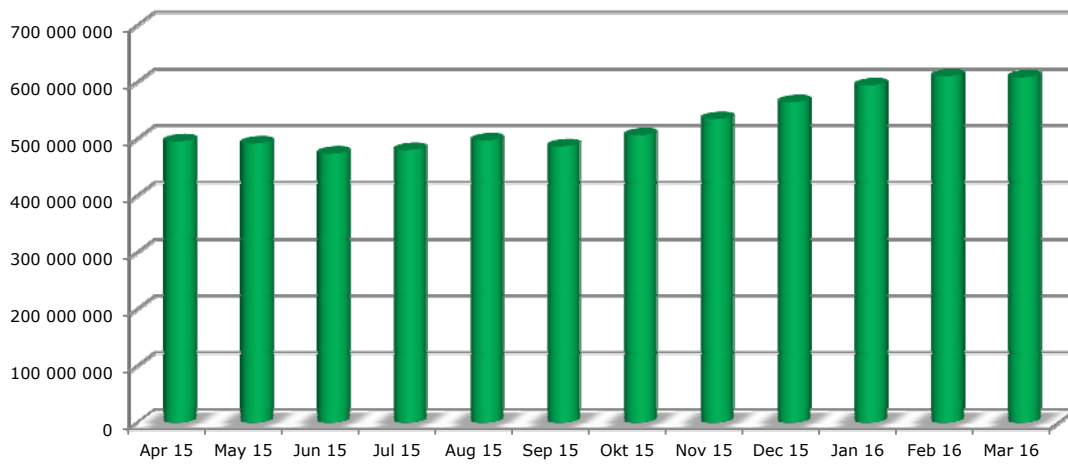
The average number of shares during the period was 657,155,077 (541,234,314).

Personnel

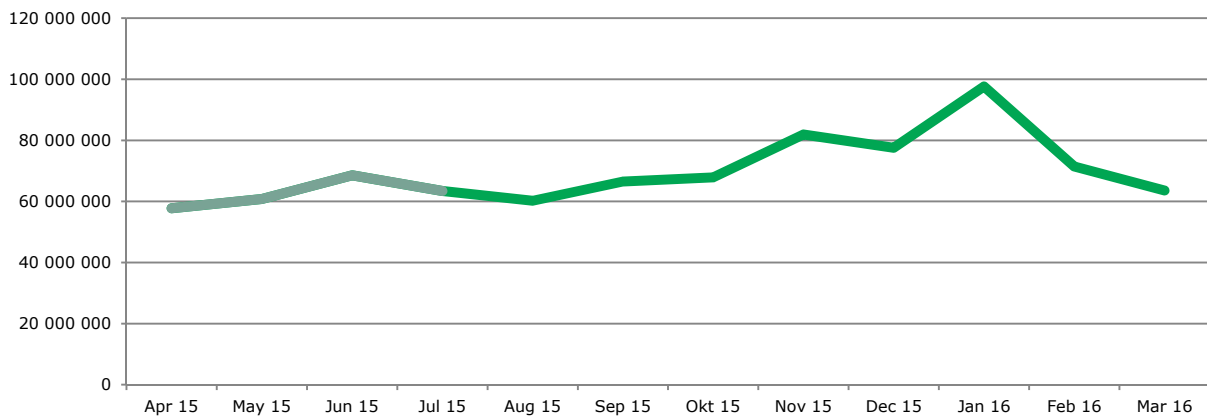
The average number of employees was 185 people (198). The number of employees at the end of the period was 215 (202).

12 month rolling sales (Proforma)

■ Sensys Gatso Group AB
 ■ Sensys Traffic AB



12 months rolling EBITDA



The changes from February 2016 is due to the cost of SEK 30 million for the transformation program.

PARENT COMPANY

The Sensys Gatso Group AB operation consists of development, marketing and sale of systems that are mainly used for speed and red-light enforcement. The company also provides service and maintenance.

January – March 2016

Net sales amounted to SEK 18.9 million (54.3) and the gross margin was 17.5 per cent (54.8) including cost for the transformation program of SEK 5.0. Operating result amounted to SEK -13,8 million including cost for the transformation program of SEK 5.0 million in development expenses.

Investments

Investments during the period totalled SEK 1.1 million (0), of which SEK 1.1 million relates to investment in property and fixed assets.

The number of employees during the period was 40 (41).

ACCOUNTING POLICIES

Sensys Gatso Group applies International Financial Reporting Standards (IFRS) as endorsed by the EU. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Accounts Act.

The Parent Company's interim report was prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 - Accounting for Legal Entities.

The accounting policies adopted are consistent with those of the previous financial year as presented in the annual report 2015.

There are no new accounting principles applicable from 2015 that affects the Sensys Gatso Group. For more information about the accounting policies applied, please refer to Sensys Gatso's website.

Risks and uncertainty

The Group's significant risk and uncertainties consist primarily of financial risks and business

risks associated with customers and suppliers. Through the company's international operations, the Sensys Gatso Group is subject to financial export arising from currency fluctuations. The most prominent are currency risk arising from export sales. This exposure is reduced by hedging the flow of sensitive currencies, based on individual assessment. Currency risk also arises in translation of foreign net assets and earnings. There are also financial risks as a consequence of changes in exchange rates and interest rate levels.

For more information about the company's risks, refer to the 2015 Annual Report. There are not considered to be any significant risks in addition to these.

Significant events after the end of the reporting period

- After the end of the first quarter, Sensys Gatso Group has, together with its local partner RECK, received an official award notice for traffic enforcement equipment from the Latvian Road Traffic Safety Director worth approximately EUR 2.5 million. The contract signing has however been delayed, as a competitor has filed an appeal in accordance with the formal process. The company assesses the risk of not concluding the contract to be low.
- Also after the end of the quarter, as part of the ongoing transformation program, Sensys Gatso Group has completed the negotiations with Employee Representatives and Trade Unions in Sweden and the Netherlands and affected employees have been informed. The outcome of the final negotiations was in line with the previously estimated cost of SEK 30 million, which has been reported as cost of goods sold and expenses in the first quarter.

Aside from this, from the end of March until the release of this report, apart from what is set out above no significant event or information has emerged about conditions, either favourable or unfavourable, that justify any additional disclosures.

For further information please contact:
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This report has not been the subject of a summary audit by the Group's auditor.

This is information that Sensys Gatso Group AB (publ) must publish pursuant to the Swedish Securities Market Act and/or the Swedish Financial Instruments Trading Act.

The information was submitted for publication on 19 May 2016 at 08:30.

Invitation to presentation for press and analysts

On 19 May at 09:30, CEO Torbjörn Sandberg and CFO Niki Gatsonides will present the report and

answer questions in an audiocast. The presentation can be followed online via the link on Sensys' website:

www.sensysgatso.com. It is also possible to listen to the presentation and ask questions by phone; you can register via the two following options:

Pre-registration via web link

To take part in the telephone conference, we would ask you to pre-register in good time ahead of the event via the following web link:

<http://emea.directeventreg.com/registration/10922456>

Open the link and follow the instructions. When registration has been completed, a confirmation email will be sent to the email address specified during registration. This email will contain phone number and a code (Direct Event Passcode). Select the appropriate number to call.

When prompted, enter the code followed by “#” to take part in the conference.

Directly by phone:

As an alternative to online registration to take part in the event via the telephone conference function, the following phone numbers may be called:

Sweden: +46 (0) 856619425

USA: +18669049624

UK: +44 (0) 8445718931

You will be prompted to enter an event code; ignore this and wait instead (1-2 mins) until the operator speaks, and then state your: **Conference ID:** 10922456 or “Sensys” to register.

Please call ten minutes before the time specified.

Future reporting dates

Interim report April – June, 2016 25 August 2016

Interim report July – September, 2016 24 November 2016

Interim report October – December, 2016 23 February 2017

Sensys Gatso Group AB is a global leader in traffic management solutions for nations, cities and fleet owners. Sensys Gatso Group has subsidiaries in Australia, Germany, the Netherlands, Sweden and the USA, and a branch office in the United Arab Emirates. The Sensys Gatso Group's shares are listed on Nasdaq Stockholm. The Group has 175 employees and is the result of a merger of Sensys Traffic AB and Gatso Beheer B.V. following the acquisition of Gatso Beheer.

THE GROUP

Income statement

SEK thousands	Jan - March 2016	Jan - March 2015	Jan - Dec 2015
Net sales	164,143	54,328	397,825
Cost of goods sold	-121,336	-24,567	-231,997
Gross profit	42,807	29,761	165,828
Selling expenses	-25,321	-5,185	-62,622
Administrative expenses	-11,554	-3,240	-27,110
Development expenses	-19,640	-3,838	-25,515
Other operating expenses	-676	-336	-1,878
Operating profit	-14,384	17,162	48,703
Net financial items	-1,634	132	-1,422
Profit before tax	-16,018	17,294	47,281
Tax	-3,892	-3,805	-6,352
Profit for the period	-19,910	13,489	40,929
Profit attributable to Owners of Sensys Gatso Group AB	-19,495	13,489	41,405
Non- controlling interest	-415	0	-476
	-19,910	13,489	40,929
Other comprehensive income			
Translation differences	841	0	-11,523
Total other comprehensive income for the period, net after tax	841	0	-11,523
Comprehensive income for the period	-19,069	13,489	29,406
Number of shares	657 155	541,234	589,826
Earnings per share	-0.03	0.02	0.07

EBITDA

SEK thousands	Jan - March 2016	Jan - March 2015	Jan - Dec 2015
Operating profit	-14,384	17,162	48,703
Depreciation tangible and intangible fixed assets	4,600	200	7,860
Amortization of acquired intangible assets	13,170	0	19,088
EBITDA	3,386	17,362	75,651

Cash flow from operation

SEK thousands	Jan - March 2016	Jan - March 2015	Jan - Dec 2015
Operating profit	-14,384	17,162	48,703
Items with no effect on cash flow	48,135	200	31,299
Tax paid	-805	0	-4,822
Funds contributing from operating activities	32,946	17,362	75,180
Change in working capital	-28,726	2,527	-36,908
Cash flow from operating activities	4,220	19,889	38,272
Cash flow from investing activities	-5,178	0	-79,552
	-958	19,889	-41,280
Financing activities			
New loan	493	0	50,000
Repayment of loan	-6,250	0	-6,250
Repayment of loan to shareholders	-3,100	0	-3,825
Change in cash and bank balances	-9,815	19,889	-1,355
Liquid funds at the beginning of the period	76,189	80,513	80,513
Translation differences in liquid funds	-1,183	204	-2,969
Closing cash and cash equivalents	65,191	100,402	76,189

Balance sheet

SEK thousands	31 March 2016	31 March 2015	31 Dec 2015
Assets			
Goodwill	237,080	0	237,203
Customer contracts	80,872	0	92,821
Brand	18,989	0	19,393
Intangible non-current assets	46,378	206	48,131
Property, plant and equipment	8,648	1,089	5,999
Fixed assets in operations	31,402	0	32,420
Financial non-current assets ¹⁾	26,097	27,547	26,070
Long-term trade and other receivables	375	10,000	376
Trade and other receivables	133,377	34,719	132,501
Inventories	69,338	16,165	75,434
Other current assets ²⁾	38,619	2,926	29,020
Cash and bank balances	65,191	100,402	76,189
Total assets	756,366	193,054	775,557
Shareholders' equity and liabilities			
Shareholders' equity	368,283	154,753	387,352
Long-term liabilities	19,243	0	18,750
Long-term liabilities towards shareholder	77,861	0	76,746
Provision	44,731	5,077	14,116
Deferred tax liabilities	40,311	0	44,293
Short-term liabilities	67,020	505	78,034
Short-term liabilities towards shareholder	36,920	0	41,135
Trade and other payables	51,379	20,751	56,401
Other current interest-free liabilities	50,618	11,968	58,730
Total shareholders' equity and liabilities	756,366	193,054	775,557

¹⁾ Tax asset SEK 26.1 million (26.1).

²⁾ SEK 10 million in frozen assets in bank representing among other projects, the completion guarantee for the Swedish Transport Administration. This guarantee will end in July 2016.

Consolidated statement of changes in equity

SEK thousands	Jan - March 2016	Jan - March 2015	Jan - Dec 2015
Beginning of period	387,352	141,264	149,219
New share issue, net	0	0	208,727
Net profit for the period	-19,495	13,489	41,405
Minority interest in subsidiaries	-415	0	-476
Other comprehensive income	841	0	-11,523
Total comprehensive income for the period	841	0	-11,523
End of period	368,283	154,753	387,352

Income statement, quarterly data

	2016	2015				2014		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net sales	164,143	178,687	100,335	64,475	54,328	58,743	43,043	44,249
Cost of goods sold	-121,336	-112,531	-59,624	-35,274	-24,567	-23,797	-22,160	-26,232
Gross profit	42,807	66,156	40,711	29,201	29,761	34,946	20,883	18,017
Costs	-57,191	-44,709	-48,102	-11,715	-12,599	-14,476	-8,425	-11,335
Operating profit	-14,384	21,447	-7,391	17,486	17,162	20,470	12,458	6,682
Net financial items	-1,634	-1,526	201	-230	132	461	-22	-24
Res Profit before tax	-16,018	19,921	-7,190	17,256	17,294	20,931	12,436	6,658
Tax	-3,892	-48	1,297	-3,796	-3,805	-4,666	-2,735	-1,465
Profit for the period	-19,910	19,873	-5,893	13,460	13,489	16,265	9,701	5,193

Key indicators and other information

	2016	2015				2014		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Operating margin. %	Neg	12.0	Neg	27.1	31.6	34.8	28.9	15.1
Gross margin. %	26.1	37.0	40.5	45.3	54.8	59.5	48.5	40.7
Profit margin. %	Neg	11.1	Neg	20.9	24.8	27.7	22.5	11.7
Equity per share. SEK ^{1) 2)}	0.56	0.59	0.55	0.31	0.29	0.26	0.23	0.21
Cash flow per share. SEK	0.01	0.01	-0.05	0.03	0.04	0.03	0.02	0.01
Number of employees	185	202	202	41	41	40	41	40
No. Of outstanding shares, thousands	651,155	651,155	651,155	541,234	541,234	541,234	541,234	541,234
Equity/assets ratio. %	48.7	49.9	47.1	78.0	80.2	79.3	74.6	72.7
Order input, SEK thousands	27,055	186,434	26,532	23,011	43,214	114,502	23,237	15,050

¹⁾ Refers to profit and shareholder's equity before and after dilution.

²⁾ Sensys has no outstanding incentive schemes that involve a dilution effect.

For definitions of key indicators, please refer to the annual report issued for 2015, which is available on the company's website www.sensysgatso.com

PARENT COMPANY

SEK thousands	Jan - March 2016	Jan - March 2015	Jan - Dec 2015
Net sales	18,908	54,328	187,560
Other sales	2,395	0	2,724
Cost of goods sold	-17,569	-24,567	-96,077
Gross profit	3,734	29,761	94,207
Selling expenses	-2,417	-5,185	-27,057
Administrative expenses	-6,008	-3,240	-12,624
Development expenses	-7,753	-3,838	-16,445
Other operating expenses/income	46	-336	-1,897
Operating profit	-12,398	17,162	36,184
Net financial items	-1,396	132	2,359
Profit before tax	-13,794	17,294	38,543
Tax	0	-3,805	-6,348
Profit for the period/Comprehensive income for the period	-13,794	13,489	32,195

Balance sheet

SEK thousands	31 March 2016	31 March 2015	31 Dec 2015
Assets			
Intangible non-current assets	0	206	0
Property, plant and equipment	2,748	1,089	1,710
Financial non-current assets ¹⁾	24,954	27,547	24,954
Shares in daughter companies	395,911	0	395,911
Non-Current receivables	2,500	10,000	2,500
Trade and other receivables	12,917	34,719	46,597
Receivables from Group	5,120	0	2,725
Inventories	22,500	16,165	21,187
Other current assets ²⁾	17,163	2,926	3,539
Cash and bank balances	62,814	100,402	70,724
Total assets	546,627	193,054	569,847
Shareholders' equity and liabilities			
Shareholders' equity	368,392	154,753	382,186
Long-term liabilities	18,750	0	18,750
Long-term liabilities towards shareholder	59,396	0	58,466
Provision	17,144	5,077	7,144
Short-term liabilities	18,750	505	25,000
Short-term liabilities towards shareholder	36,920	0	36,560
Trade and other payables	9,972	20,751	14,207
Trade from Group	564	0	865
Other current interest-free liabilities	16,739	11,968	26,669
Total shareholders' equity and liabilities	546,627	193,054	569,847

¹⁾ Tax asset SEK 24.9 million (24.9).

²⁾ Blocked assets in bank SEK 10 million representing completion guarantee for the Swedish Transport Administration.
The guarantee will end in July 2016.

Change in shareholders' equity

SEK thousands	Jan - March 2016	Jan - March 2015	Jan - Dec 2015
Beginning of period	382,186	141,264	141,264
New share issue, net	0	0	208,726
Profit for the period/Comprehensive income for the period	-13,794	13,489	32,196
End of period	368,392	154,753	382,186