

Sensys Gatso Group AB

Interim Report

July - September 2017



July – September 2017

- Net sales MSEK 70.9 (68.4)
- Order intake MSEK 59.4 (44.8)
- Operating profit MSEK -18.2 (-1.4)
- EBITDA MSEK -8.9 (9.7)
- The profit after tax MSEK -17.0 (-3.3)
- Comprehensive income MSEK -25.0 (12.8)
- Earnings per share, before and after dilution, SEK -0.03 (-0.01)
- Cash flow from operating activities amounted to MSEK -10.2 (24.6)

January – September 2017

- Net sales MSEK 209.8 (332.6)
- Order intake MSEK 192.6 (133.3)
- Operating profit MSEK -50.1 (-18.6)
- EBITDA MSEK -21.3 (19.6)
- The profit after tax MSEK -49.2 (-24.1)
- Comprehensive income MSEK -61.7 (-4.4)
- Earnings per share, before and after dilution, SEK -0.07 (-0.04)
- Cash flow from operating activities amounted to MSEK -31.9 (39.2)

Items affecting comparability

The effects of the one-off costs concerning the transformation program and a release of a contingent liability under Other operating income has effected the comparability of our interim financial statements. The adjusted financial figures are as follows:

July – September 2017

- Adj. EBITDA MSEK -8.9 (-11.5)

January – September 2017

- Adj. EBITDA MSEK -21.3 (23.6)

COMMENTS FROM THE CEO

Steady sales

Sensys Gatso has been able to keep an overall steady level of sales over the quarters, even though big opportunities in the Middle East and other regions have been postponed. In the third quarter the sales amounted to SEK 70.9 million (68.4), of which System Sales contributed SEK 58.9 million (52.2), which is in line with our 12 months run rate. The steady sales level in 2017 is mainly a result of our long-term customer relations, with repeat orders and maintenance contracts.

The Managed Services segment declined this quarter to SEK 11.9 million compared to SEK 16.2 million in 2016. Sales in the quarter was impacted mainly by the earlier communicated effect of the court ruling in Iowa. Despite this effect, we have been able to expand our customer base with new contracts and roll-outs of new programs in the USA.

The gross margin for the quarter was 32.3 percent (36.0). The gross margin was impacted by lower sales in the segment Managed Services, which typically has a higher gross margin. Besides the unfavourable sales mix in the quarter, the gross margin of 2016 was influenced by the release of the provision relating to the transformation program.

Higher order intake

The total quarterly order intake increased significantly to SEK 59.4 million compared to SEK 44.8 million in the corresponding period last year and is in line with the 12 months run rate. The order intake during the first nine months was SEK 192.6 million (133.3), which is a 44 percent improvement compared to last year.

During 2017 we have been successful in renewing our Managed Services programs in the USA with a contract value of SEK 37.9 million. We are specifically excited and proud that Sensys Gatso has been selected as a business partner by the state of Oklahoma in November of this year. This innovative state wide solution, to solve the challenges with uninsured vehicle enforcement, takes Sensys Gatso into new market opportunities. The focus on innovative software and hardware solutions is in line with our strategy to grow our managed services activities across the world.

After the end of the period Trafikverket has extended their framework contract with Sensys Gatso for another two years. We are particularly proud over this and see this as a proof of our excellent partnership already lasting for over 10 years.

EBITDA performance in the quarter

The EBITDA for the third quarter improved to SEK -8.9 million compared to the adjusted EBITDA of SEK -11.5 million for the same period last year. The third quarter 2016 adjustments related to one-off effects of the transformation program and contingent liability release. We continue to focus on increasing sales and cost reductions to further improve our EBITDA performance.

Increased available cash due to successful rights issue

The available cash at the end of the third quarter was SEK 53.9 million. On October 23, after the end of the third quarter, Sensys Gatso Group's rights issue has successfully been finalized with an oversubscription of approximately 30 percent. Through the rights issue, Sensys Gatso has received proceeds amounting to SEK 85.1 million before issue costs and after set-off against short term liabilities to shareholders.

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Improving outlook

Looking at the short-term, it appears that the volatile and uncertain market situation is beginning to ease. We will continue to focus on our strategy to grow our managed services activities and deliver innovative software and hardware solutions across the world.

The global trends are in favour of sustainability and traffic safety. With our integrated group companies, our global presence and improved capital structure, we are now in a good position to grow our business.

Ivo Mönnink
CEO, Sensys Gatso Group

FINANCIAL SUMMARY

Key indicators (unadjusted)

SEK thousands	July - Sept 2017	July - Sept 2016	Jan - Sept 2017	Jan - Sept 2016	Jan - Dec 2016
Net sales	70,885	68,447	209,817	332,631	436,607
Order intake	59,423	44,828	192,596	133,294	199,858
Operating profit	-18,193	-1,369	-50,065	-18,622	-23,241
Operating margin (%)	Neg	Neg	Neg	Neg	Neg
Gross margin (%)	32.3	36.0	38.0	31.2	33.6
Profit for the period	-16,982	-3,290	-49,249	-24,145	-24,384
Earnings per share (SEK)	-0.03	-0.01	-0.07	-0.04	-0.04
Cash flow from operations	-10,184	24,551	-31,948	39,187	88,418

EBITDA and Adj. EBITDA

SEK thousands	July - Sept 2017	July - Sept 2016	Jan - Sept 2017	Jan - Sept 2016	Jan - Dec 2016
Operating profit	-18,193	-1,369	-50,065	-18,622	-23,241
Depreciation tangible and intangible fixed assets	4,025	3,986	12,452	12,686	17,461
Amortization of acquired intangible assets ¹	5,254	7,088	16,357	25,486	31,127
EBITDA	-8,914	9,705	-21,256	19,550	25,347

1) Amortisation of intangible fixed assets recognized as part of the acquisition of the Gatso Beheer

Items affecting comparability

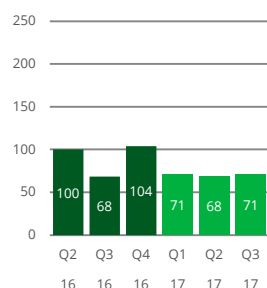
The effects of the costs concerning the transformation program and a release of a contingent liability under Other operating income has affected the comparability of our interim financial statements.

SEK thousands	July - Sept 2017	July - Sept 2016	Jan - Sept 2017	Jan - Sept 2016	Jan - Dec 2016
EBITDA	-8,914	9,705	-21,256	19,550	25,347
Adjustments for:					
Effects transformation program	0	-9,311	0	16,025	16,025
Contingent liability release	0	-11,926	0	-11,926	-11,926
Adj. EBITDA ¹⁾	-8,914	-11,532	-21,256	23,649	29,446

1) Definition on Adj. EBITDA is disclosed on page 19.

Financial results Group

SALES (x Mil)



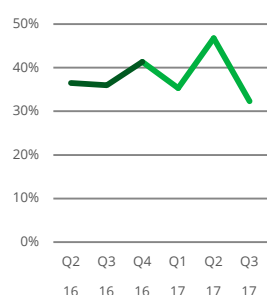
July – September 2017

Net sales in the third quarter, amounted to SEK 70.9 million (68.4) and consisted primarily of deliveries and services to customers in the USA, Australia and our home markets Sweden and The Netherlands. The segment System Sales contributed SEK 58.9 (52.2) million, and Managed Services contributed SEK 12.0 (16.2) million to the net sales of the third quarter.

The gross margin for the quarter was 32.3 percent (36.0).

Order intake during the third quarter totalled SEK 59.4 million (44.8) and mainly relates to orders received from our customers in USA, Australia and Qatar amongst other smaller orders.

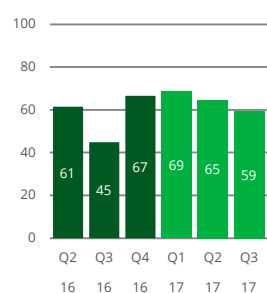
GROSS MARGIN (%)



Expenses totalled SEK 41.1 million (26.0) including amortisation of intangible fixed assets recognized as part of the acquisition to the amount of SEK 5.3 million (7.1). The expenses in the comparable quarter of 2016 have been positively influenced by the reversal of the transformation program provision to the amount of SEK 9.3 million and the release of the contingent consideration relating to the additional purchase price to the amount of SEK 11.9 million.

The operating profit for the third quarter totalled SEK -18.2 million (-1.4) and the profit after taxation totalled SEK -17.0 million (-3.3).

ORDER INTAKE (x Mil)



January – September 2017

Net sales for the period from January to September 2017 amounted to SEK 209.8 million compared to SEK 332.6 million for the corresponding period in 2016. The revenues for 2016 contained a large part of the revenues from the large order received in Northern Africa.

The gross margin for the period was 38.0 percent (31.2). The improvement on margins is due to the sales mix of System Sales and Managed Services as well as the effect of the transformation program performed during 2016, resulting in a lower cost of goods sold.

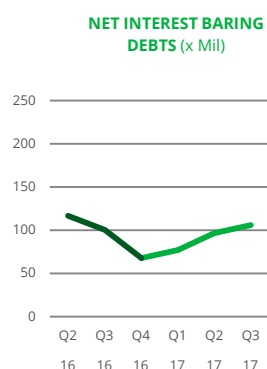
The operating expenses amounted to SEK 129.9 million for the period January to September 2017 compared to SEK 122.6 million for the corresponding period in 2016. The difference in operating expenses compared with 2016 is primarily attributable to the transformation program executed and completed in 2016, as well as the release of a contingent liability of 11.9 million in 2016. The company's total depreciation and amortization for the period from January to September 2017 amounted to SEK 28.8 million compared to SEK 38.2 million for the corresponding period 2016, of which SEK 16.4 million (25.5) was attributable to intangible fixed assets. The amortisation of intangible fixed assets in 2017 is lower due to less amortisation relating to customer contracts.

Investments

During the period January to September 2017 the investments in fixed assets amounted to SEK 7.4 million (15.7) of which SEK 4.7 million relates to tangible fixed assets and SEK 2.7 million relates to intangible fixed assets.

Financial position

The Group's equity at the end of the period totalled SEK 324.9 million (382.9), producing an equity/assets ratio of 58.7 percent (60.0). Net interest-bearing debt amounted to SEK 105.6 million (100.1).



KSEK	30 Sept 2017	30 Sept 2016	31 Dec 2016
Short-term liabilities	63,531	57,544	18,901
Long-term liabilities	52,442	79,357	80,273
Cash and bank	-10,330	-36,791	-31,643
Net interest-bearing debt	105,643	100,110	67,531

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 (657,155,077). The net debt has significantly changed after the period due to the proceeds of the rights issue, which has been successfully finalized.

Through the rights issue Sensys Gatso's share capital is increased by SEK 9,387,929 to SEK 42,245,683 and the total number of shares has been increased by 187,758,593 shares to 844,913,670 shares. The new shares had a subscription price of SEK 0.55 per new share.

Through the rights issue, Sensys Gatso has received proceeds amounting to approximately SEK 103.3 million before issue costs, of which SEK 18.2 million will be set-off against short term liabilities to shareholders.

	Number of Shares (x1.000)	Share Capital (KSEK)
Opening January 1, 2017	657,155	32,858
New share issue October 23, 2017	187,759	9,388
Closing	844,914	42,246

Personnel

The average number of full time employees was 152 people (174). The number of employees at the end of the period was 167, whereof a part being part-time employees, to be compared with 205 at the third quarter of 2016. The decrease of employees compared to the third quarter 2016 is a result of the transformation program which was completed in 2016.

Business Segments

The two main segments used for internal reporting and managing the different operations are System Sales and Managed Services.

System Sales

Systems sales amounted to SEK 59.1 million (55.2) in the third quarter of 2017. The system sales year to date amounted to SEK 169.8 million compared to SEK 294.2 million in the same period of 2016. 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. Revenues of the first half year 2016 contained a large part of the revenues from the very large order received in Africa.

The order intake for the segment Systems Sales amounted SEK 41.5 million (44.8) in the quarter mainly relating to orders from our customers in Australia and Qatar and several smaller orders.

The segment has incurred an EBITDA of SEK -9,1 million (7.7) in the third quarter and SEK -30.7 million (10.2) for the period January to September of 2017.

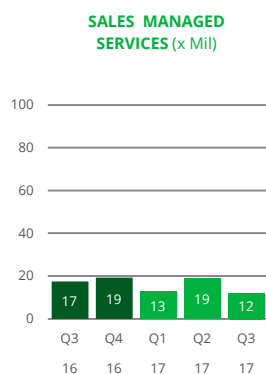
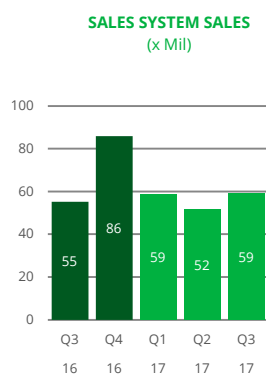
In System Sales, the ownership of the equipment is transferred to the customer. Normally, the equipment is sold to a distributor who handles installations and basic support. System Sales also provides additional sales in the form of annual verifications, support and service, which are included in the net sales of the segment.

Managed Service

Managed Services sales amounted to SEK 12.0 million (17.5) in the third quarter of 2017. The sales for the period January to September of 2017 amounted to SEK 43.9 million compared to SEK 49.8 million in the same period of 2016. Sales in this segment are impacted by seasonal influences (such as weather and holiday traffic) and are dependent on the volume of violations.

During the quarter three contracts have been extended and one new contract has been awarded representing estimated sales of SEK 17.9 million. The total sales are expected to come in over a period of 12 to 36 months. A new Managed Services program in Maryland, awarded in the second quarter, became operational.

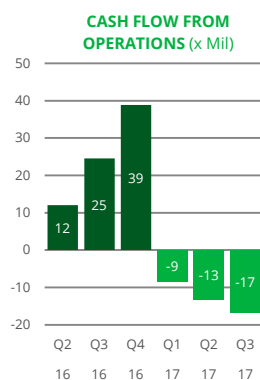
The segment operating managed services focuses on large and smaller managed services contracts where the ownership of the equipment remains with Sensys Gatso. The Group is responsible for the entire value chain; system operations, sending out fines and receiving payments on the behalf of our customers. These systems are recorded on the balance sheet under fixed assets in operations. Contracts normally run for 3–5 years with a considerable possibility of extension.



SEK thousands	July - Sept 2017			July - Sept 2016		
	System Sales	Managed Service	Total	System Sales	Managed Service	Total
Total Net sales per business segment	59,105	11,950	71,055	55,153	17,456	72,609
Inter-segment transactions	-181	0	-181	-2,913	-1,249	-4,162
Total Net Sales	58,924	11,950	70,874	52,240	16,207	68,447
EBITDA	-9,114	200	-8,914	7,712	1,993	9,705
Depreciation and amortization	-2,378	-6,902	-9,280	-4,104	-6,970	-11,074
Operating Profit	-11,492	-6,702	-18,194	3,608	-4,977	-1,369
Net financial items			-810			-1,789
Profit before tax			-19,004			-3,158
Tax			2,021			-132
Profit for the period			-16,983			-3,290

SEK thousands	Jan - Sept 2017			Jan - Sept 2016		
	System Sales	Managed Service	Total	System Sales	Managed Service	Total
Total Net sales per business segment	169,798	43,929	213,727	294,154	49,776	343,930
Inter-segment transactions	-3,919	0	-3,919	-8,755	-2,544	-11,299
Total Net Sales	165,879	43,929	209,808	285,399	47,232	332,631
EBITDA	-30,708	9,453	-21,255	10,213	9,337	19,550
Depreciation and amortization	-6,750	-22,059	-28,809	-16,354	-21,818	-38,172
Operating Profit	-37,458	-12,606	-50,064	-6,141	-12,481	-18,622
Net financial items			-6,201			-6,528
Profit before tax			-56,265			-25,150
Tax			7,017			1,005
Profit for the period			-49,248			-24,145

CASH FLOW



Cash flow from operating activities totalled SEK -10.2 million during the third quarter (24.6) in 2017. The negative operating cash flow is caused by a negative operating profit.

During the third quarter investments in fixed assets amounted to SEK 0.9 million (3.2).

Cash and cash equivalents at the end of the period totalled SEK 10.3 million (36.8).

At the end of the period free available cash amounted SEK 53,9 million taking into account the total amount of credit facilities not taken up.

The group's credit facility agreements are subject to covenant clauses, whereby the group is required to meet certain key financial ratios.

Sensys Gatso did not fulfil the EBITDA ratio as required in the contract for one of the credit facilities but has received a waiver from the bank with regards to the third quarter. The group has not been using this first credit facility. All short-term obligations towards the bank have been met in the third quarter.

The group has processes in place to monitor the bank covenants and the cash flow and is in control of cash requirements. Following this monitoring and control process Sensys Gatso has identified a likely breach of the EBITDA ratio on the second credit facility at the end of the financial year. Management is working together with the bank to receive a waiver if needed.

Furthermore, we are in discussion with our banks on the terms of the bank covenants and the credit facilities to better fit our business model going forward.

OTHER INFORMATION

Significant events during the third quarter

- Extraordinarily General meeting was held on September 25, where it was resolved to approve the Board's resolution on a right issue and long-term incentive program for the CEO. In anticipation of a new share issue the largest shareholder has provided Sensys Gatso Group with a bridge-loan of SEK 7 million in July.
- Sensys Gatso Group has appointed a new CEO. The new CEO, Ivo Mönnink, started on October 1st.
- Sensys Gatso Group agreed with the banks on a lowered credit facility of SEK 15 million in relation to not meeting the EBITDA covenant (see cash flow paragraph for more details).
- The group received contract extension in Abington, Pennsylvania.
- The group has received an order worth 5.8 MSEK from its partners in Australia.
- The group has received an order from its partner KTC International Co. worth SEK 5 million for Qatar. The order is under condition that Sensys Gatso Group receives a Letter of Credit, securing the payments.

Significant events during the second quarter

- The group has received an order from the Swedish Transport Administration worth 17 MSEK.
- The group has suspended interstate speed enforcement services in Iowa as of May 18, 2017, following the decision of the Iowa District Court in Polk County.
- The group has received an order worth 4.3 MSEK from its partner in Latvia.
- Executive Vice President Corporate Development, Johan Frilund, leaves Sensys Gatso Group.
- Sensys Gatso Group and Ricardo Rail have signed a strategic agreement for sales and manufacturing of the APMS product (Automatic Pantograph Monitoring System) to the global rail market. Sensys Gatso has entered into this agreement, that does not contain any committed values, in order to improve its focus on the road traffic business.

Significant events during the first quarter 2017

- The Group has received orders worth SEK 18.6 million, corresponding to EUR 1.25 million, from Belgium.
- The Group has signed contract in Southern Europe amounting to SEK 25.6 million
- Sensys Gatso Group AB has transferred its business operations to the fully owned subsidiary Sensys Gatso Sweden AB.

Significant events after the end of the reporting period

- Sensys Gatso Group's rights issue has successfully been finalized with an oversubscription of approximately 30.0 percent. Through the rights issue, Sensys Gatso will receive proceeds amounting to approximately SEK 103.3 million before issue costs.
- Sensys Gatso Group has appointed Joris Lampe as new VP System Sales.
- The group has received an order worth SEK 19 million from Trafikverket for spare parts.
- The group has been awarded a one-year contract from the Oklahoma District Attorneys Council as the successful bidder of its Uninsured Vehicle Enforcement Diversion Program. The Managed Service contract is based on the performance of the program and estimated to be worth USD 2 million, corresponding to SEK 17 million.

Apart from this, from the end of September 2017 until the release of this report, no significant events or information has emerged about conditions, either favourable or unfavourable, that justify any additional disclosures.

Related party disclosures

For the period under review no material business transactions were performed with related parties. For details on material transactions after the period with related parties, see the disclosure under "Significant events after the end of the reporting period".

This report has been the subject of a limited review by the Group's auditor. The review report is on page 21.

For further information please contact:
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This information is information that Sensys Gatso Group AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 08.30 on the 23rd of November 2017.

GROUP FIGURES

Consolidated statement of comprehensive income

SEK thousands	July - Sept 2017	July - Sept 2016	Jan - Sept 2017	Jan - Sept 2016	Jan - Dec 2016
Net sales	70,885	68,447	209,817	332,631	436,607
Cost of goods sold	-47,964	-43,818	-130,029	-228,700	-289,722
Gross profit	22,921	24,629	79,788	103,931	146,885
Selling expenses	-20,202	-23,104	-62,279	-63,458	-86,462
Administrative expenses	-9,659	-8,513	-31,749	-31,415	-43,801
Development expenses	-10,988	-6,521	-35,233	-39,183	-50,874
Other operating expenses/income	-265	12,140	-592	11,503	11,011
Operating profit	-18,193	-1,369	-50,065	-18,622	-23,241
Net financial items	-810	-1,789	-6,201	-6,528	-6,724
Profit before tax	-19,003	-3,158	-56,266	-25,150	-29,965
Tax	2,021	-132	7,017	1,005	5,581
Profit for the period	-16,982	-3,290	-49,249	-24,145	-24,384
Profit is attributable to owners of Sensys Gatso Group AB	-15,795	-3,017	-47,637	-22,423	-21,971
Profit is attributable to non- controlling interest	-1,187	-273	-1,612	-1,722	-2,413
Other comprehensive income	-16,982	-3,290	-49,249	-24,145	-24,384
<i>Items that may be reclassified to profit or loss</i>					
Translation differences	-8,059	16,128	-12,477	19,734	23,655
Total other comprehensive income for the period, net after tax	-8,059	16,128	-12,477	19,734	23,655
Total comprehensive income for the period	-25,041	12,838	-61,726	-4,411	-729
Number of shares (thousands)	657,155	657,155	657,155	657,155	657,155
Earnings per share (SEK)	-0.03	-0.01	-0.07	-0.04	-0.04

Consolidated balance sheet

SEK thousands	30 Sept 2017	30 Sept 2016	31 Dec 2016
Assets			
Goodwill	233,134	237,630	239,302
Customer contracts and relations	38,168	54,102	53,248
Brand	16,340	18,821	18,423
Intangible non-current assets	39,257	44,047	43,578
Property, plant and equipment	7,692	6,435	8,847
Fixed assets in operations	26,566	38,171	34,117
Deferred tax assets	48,414	52,344	51,747
Other non-current assets	356	381	373
Trade and other receivables	57,799	63,684	62,821
Inventories	56,794	61,981	46,506
Other current assets	18,742	23,453	18,878
Cash and bank balances	10,330	36,791	31,643
Total assets	553,592	637,840	609,483
Shareholders' equity and liabilities			
Shareholders' equity	324,897	382,941	386,623
Long-term liabilities	283	448	434
Long-term liabilities towards shareholders	52,159	78,909	79,839
Provision	8,375	11,735	9,467
Deferred tax liabilities	24,387	32,868	32,058
Short-term liabilities	27,752	57,544	18,901
Short-term liabilities towards shareholders ¹⁾	35,779	0	0
Trade and other payables	28,677	20,795	21,077
Other current interest-free liabilities	51,283	52,600	61,084
Total shareholders' equity and liabilities	553,592	637,840	609,483

¹⁾ This includes the bridge loan to the amount of SEK 7.0 million and the first instalment of the promissory of SEK 28.8 million

Consolidated statement of changes in equity

SEK thousands	July - Sept 2017	July - Sept 2016	Jan - Sept 2017	Jan - Sept 2016	Jan - Dec 2016
Beginning of period	349,938	370,103	386,623	387,352	382,941
New share issue, net	0	0	0	0	0
Minority interest in subsidiaries	-1,187	-273	-1,612	-1,722	-691
Net profit for the period	-15,795	-3,017	-47,637	-22,423	452
Other comprehensive income	-8,059	16,128	-12,477	19,734	3,921
End of period	324,897	382,941	324,897	382,941	386,623

Cash flow statement

SEK thousands	July - Sept 2017	July - Sept 2016	Jan - Sept 2017	Jan - Sept 2016	Jan - Dec 2016
Operating profit	-18,193	-1,369	-50,065	-18,622	-23,241
Items with no effect on cash flow	9,074	-20,842	27,717	23,614	28,971
Financial items	-1,943	8,526	-3,376	3,954	3,863
Tax paid	-66	-6,630	-1,558	-9,205	-7,861
Funds contributing from operating activities	-11,128	-20,315	-27,282	-259	1,732
Change in working capital	944	44,866	-4,666	39,446	86,686
Cash flow from operating activities	-10,184	24,551	-31,948	39,187	88,418
Cash flow from investing activities	-873	-3,161	-7,451	-15,739	-18,612
	-11,057	21,390	-39,399	23,448	69,806
Financing activities					
New loan	0	0	0	493	493
Repayment of loan	-6,287	-6,250	-18,863	-28,123	-34,444
Usage /Repayment/usage of credit facilities	4,573	0	27,601	0	-42,743
Usage/Repayment of loan from shareholders	7,079	-29,083	7,079	-32,242	-32,242
Change in cash and bank balances	-5,692	-13,943	-23,582	-36,424	-39,130
Liquid funds at the beginning of the period	14,626	51,154	31,643	76,189	76,189
Translation differences in liquid funds	1,396	-419	2,269	-2,973	-5,416
Closing cash and cash equivalents	10,330	36,792	10,330	36,792	31,643

PARENT COMPANY

Sensys Gatso Group AB has as of January 1st 2017 transferred its business operations to the fully owned subsidiary Sensys Gatso Sweden AB, why the business of the parent company now consists of owning and mangaging participations in subsidiaries, as well as managing some key tasks for the Group. Part of senior management is also represented here.

Statement of comprehensive income

SEK thousands	July - Sept 2017	July - Sept 2016	Jan - Sept 2017	Jan - Sept 2016	Jan - Dec 2016
Net sales	1,098	14,605	5,100	67,622	108,972
Other sales	0	1,830	0	5,956	9,777
Cost of goods sold	0	-10,206	0	-48,422	-69,376
Gross profit	1,098	6,229	5,100	25,156	49,373
Selling expenses	0	-5,251	0	-11,517	-15,929
Administrative expenses	-3,956	-7,210	-16,165	-19,998	-29,159
Development expenses	0	-939	0	-11,209	-14,844
Other operating expenses/income	5	-69	0	-44	-437
Operating profit	-2,853	-7,240	-11,065	-17,612	-10,996
Net financial items	322	-1,069	-1,032	-4,775	-6,211
Profit before tax	-2,531	-8,309	-12,097	-22,387	-17,207
Tax	-2,984	0	-2,984	0	-866
Profit for the period/Comprehensive income for the period	-5,515	-8,309	-15,081	-22,387	-18,073

*) Numbers prior to January 1st 2017 are before the operational business was transferred to fully owned subsidiary company Sensys Gatso Sweden AB.

Balance sheet

SEK thousands	30 Sept 2017	30 Sept 2016	31 Dec 2016
Intangible non-current assets	0	0	0
Property, plant and equipment	0	3,315	2,961
Deferred tax assets	21,104	25,163	24,088
Shares in subsidiaries	413,952	383,985	383,952
Other non-current assets	0	0	209
Trade and other receivables	0	18,490	32,866
Receivables from Group	1,236	1,830	7,083
Inventories	0	19,520	14,022
Other current assets	360	3,567	3,886
Cash and bank balances	1,546	31,335	27,840
Total assets	438,198	487,205	496,907
Shareholders' equity and liabilities			
Shareholders' equity	349,032	359,799	364,113
Long-term liabilities	0	0	0
Long-term liabilities towards shareholders	33,025	61,572	60,705
Provision	0	6,430	4,314
Short-term liabilities	0	25,000	18,750
Short-term liabilities towards shareholder	35,779	0	0
Trade and other payables	623	12,025	12,915
Trade and other payables from Group	13,955	651	3353
Other current interest-free liabilities	5,784	21,728	32,757
Total shareholders' equity and liabilities	438,198	487,205	496,907

*) Numbers prior to January 1st 2017 are before the operational business was transferred to the fully owned subsidiary company Sensys Gatso Sweden AB.

Change in shareholders' equity

SEK thousands	July - Sept 2017	July - Sept 2016	Jan - Sept 2017	Jan - Sept 2016	Jan - Dec 2016
Beginning of period	354,547	368,108	364,113	382,186	382,186
New share issue, net	0	0	0	0	0
Profit for the period/Comprehensive income for the period	-5,515	-8,309	-15,081	-22,387	-18,073
End of period	349,032	359,799	349,032	359,799	364,113

NOTES

General

Nature of operations

Sensys Gatso Group develops markets, sells and operates world-leading 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 saving lives and social resources. All products are based on our unique, high precision, target-tracking radars offering high legal certainty. The market for traffic safety systems is a global niche market with healthy underlying growth.

Items affecting comparability

In 2016 Sensys Gatso started the announced transformation program resulting in a recorded cost of SEK 30 million in the first quarter of 2016. Due to the final outcome of negotiations with the workers' council and the unions the group has recorded a release of SEK 14.0 million during 2016 on the initial provision resulting in a total cost of the transformation program of SEK 16.0 million.

Also in 2016 the additional purchase price, recognized under short-term liabilities in the balance sheet, was finalized resulting in a payout of SEK 26.0 Million and a release of the liability to the profit and loss, under the other operating income of SEK 11.9 Million.

Volatility

The Group's revenue is affected by the volatility of the System Sales business. Due to the variance in bigger and smaller contracts and the time at which opportunities rise, revenue can be affected significantly during a quarter. To assist in understanding the operational business and to get a better view of the Group's performance, we provide quarterly data over six quarters.

Risks and uncertainty

Significant risks and uncertainties faced by the group primarily consist of commercial risks associated with customers and suppliers, and financial risks in its international business due to changes in exchange- and interest rates, as well as liquidity, financing and credit risks. Currency risks also arise in the translation of foreign net assets and earnings. 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.

For more information about the group's risks, please refer to the 2016 Annual Report. There are not considered to be any significant risks in addition to these.

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 for 2016.

There are no new accounting principles applicable from 2016 that affect the Sensys Gatso Group. For more information about the accounting policies applied, please refer to Sensys Gatso's website.

Consolidated statement of income, quarterly data

	2017			2016		
	Q3	Q2	Q1	Q4	Q3	Q2
Net sales	70,885	68,189	70,745	103,976	68,447	100,041
Cost of goods sold	-47,964	-36,297	-45,768	-61,022	-43,818	-63,546
Gross profit	22,921	31,892	24,977	42,954	24,629	36,495
Costs	-41,114	-46,471	-42,269	-47,573	-25,998	-39,364
Operating profit	-18,193	-14,579	-17,292	-4,619	-1,369	-2,869
Net financial items	-810	-3,944	-1,448	-196	-1,789	-3,105
Res Profit before tax	-19,003	-18,523	-18,740	-4,815	-3,158	-5,974
Tax	2,021	2,622	2,374	4,576	-132	5,029
Profit for the period	-16,982	-15,901	-16,366	-239	-3,290	-945

Key indicators and other information, quarterly data

	2017			2016		
	Q3	Q2	Q1	Q4	Q3	Q2
Operating margin (%) ¹⁾	Neg	Neg	Neg	Neg	Neg	Neg
Gross margin (%) ²⁾	32.34	46.77	35.31	41.31	35.98	36.48
Profit margin (%) ³⁾	Neg	Neg	Neg	Neg	Neg	Neg
Equity per share (SEK) ⁴⁾	0.49	0.53	0.56	0.59	0.58	0.56
Cash flow per share (SEK) ⁶⁾	-0.02	-0.02	-0.01	0.06	0.04	0.01
Number of employees ⁷⁾	167	166	175	169	171	205
No. Of outstanding shares (thousands)	657,155	657,155	657,155	657,155	657,155	657,155
Equity/assets ratio (%)	58.69	62.11	64.56	63.46	60.04	53.28
Order intake (SEK thousands)	59,423	64,603	68,570	66,564	44,828	61,411

1) Operating income relative to sales

2) Gross margin relative sales

3) Profit after taxation relative sales

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

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

6) Operating cash flow relative number of shares

7) Total number of employees at the end of the period

For definitions of key indicators, please refer to the annual report issued for 2016, which is available on the Sensys Gatso website www.sensysgatso.com

EBITDA and Adjusted EBITDA

(Earnings before interest, taxes, depreciation and amortization)

On July 31st 2015 a large acquisition was made, generating considerable amounts of amortization of intangible assets compared to previous years. Due to this, we believe that, in order to assist in understanding the operational business and growth, it is useful to consider EBITDA when comparing with previous years and other companies.

The adjusted EBITDA figures concern the EBITDA adjusted for the effects of the transformation program as a one of cost and the effects of the release of the contingent liability.

FINANCIAL INFORMATION

Invitation to a presentation for press and analysts

On 23 November at 09:30 CEO Ivo Mönnink 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 or <http://media.fronto.com/cloud/sensys/171123>

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/4298157>

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.

To take part in the conference, when prompted, enter the code followed by "#".

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)8 566 194 25

USA: +1 8 669 049 624

UK: +44 (0) 844 571 89 31

You will be prompted to enter an event code; ignore this, and wait instead (1–2 min) until the operator speaks, and then state your: Conference ID: [4298157](#) or "Sensys" to register.

Please call ten minutes before the time specified.

Financial calendar

Future reporting dates

Interim report October – December 2017	22 Feb 2018
Interim report January – March 2018	17 May 2018
Annual General Meeting 2017	17 May 2018
Half year Report, 2018	30 August 2018

Sensys Gatso Group AB

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Auditor's report

Sensys Gatso Group AB (publ.), org nr 556215-4459

Introduction

We have reviewed the condensed interim financial information (interim report) of Sensys Gatso Group AB (publ.) as of 30 September 2017 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Report Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Jönköping, 23 November 2017

Öhrlings PricewaterhouseCoopers AB

Martin Odqvist
Auktoriserad revisor
Huvudansvarig revisor

Magnus Brändström
Auktoriserad revisor